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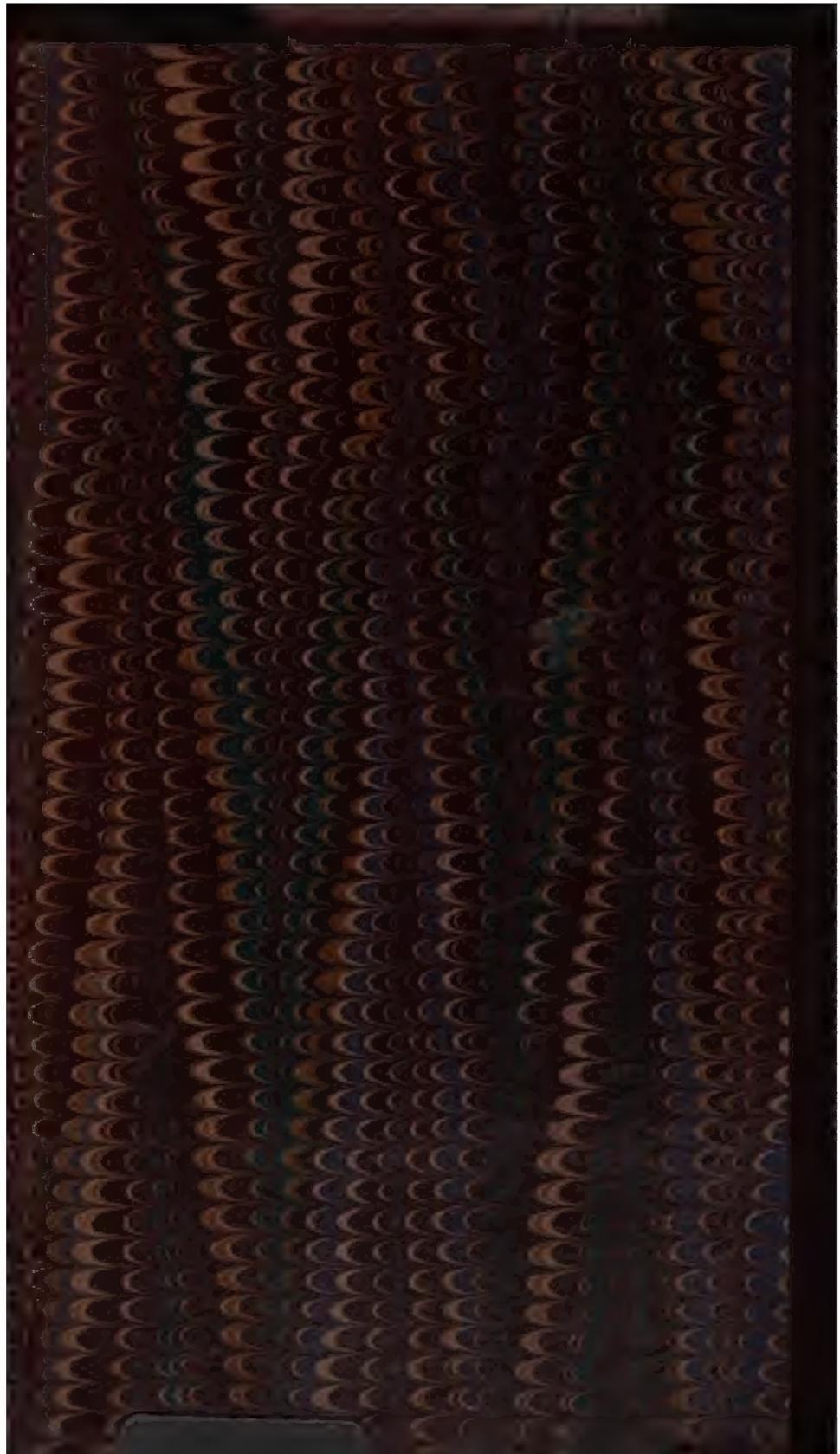
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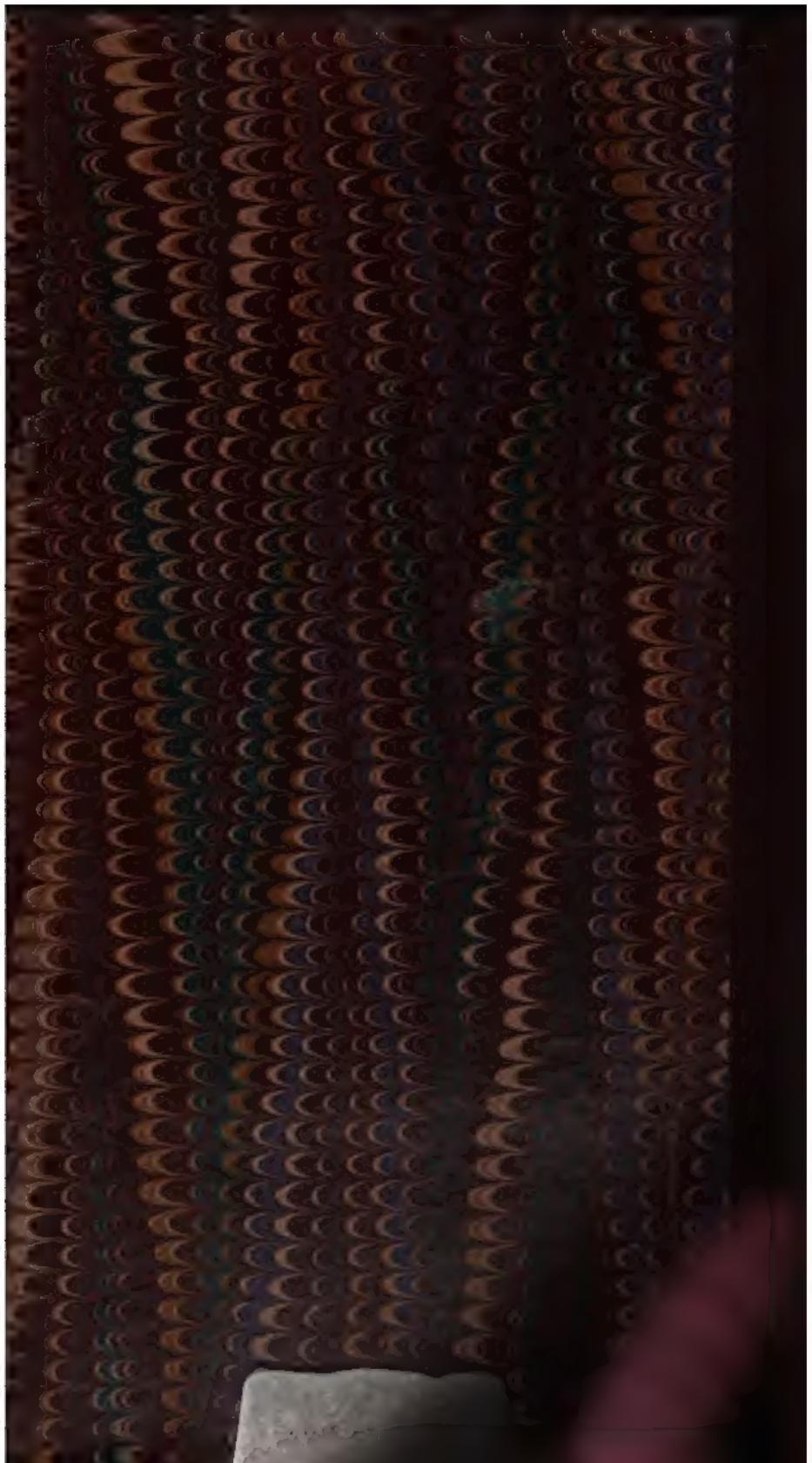
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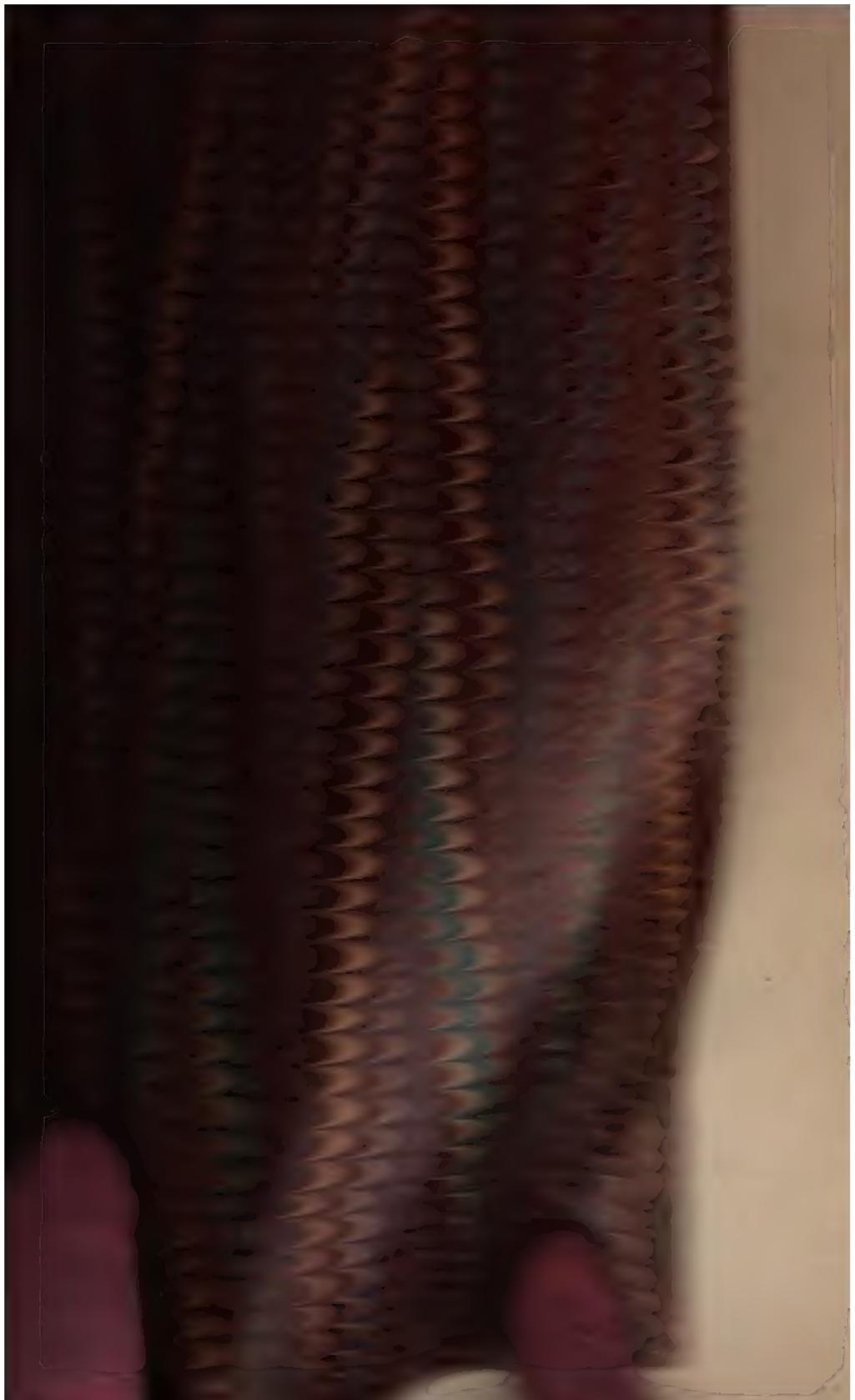
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THE
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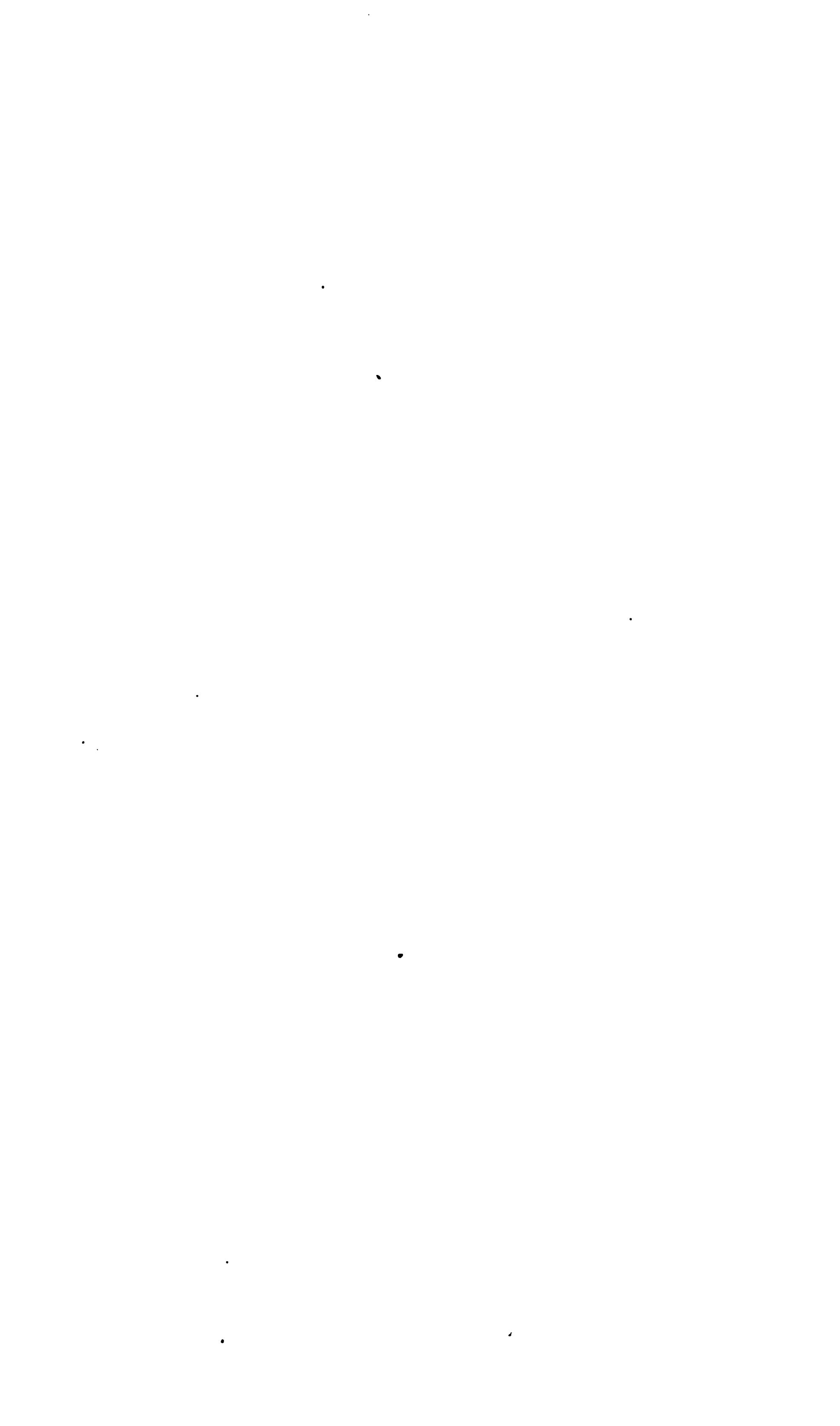
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THE
YALE REVIEW.
MAY, 1900.

COMMENT.

*The New Currency Act; The Nomination of the President;
The Precedents for the Porto Rico Bill.*

COMMENTATORS upon the new Currency Act of last March proclaim that measure to be the culmination of a movement covering nearly forty years. In fact, in its leading provision, the adoption of the gold standard, the act stands for a definitive victory of forces which from small beginnings have grown to overwhelming strength sufficient to sway the political party to whose initiative and later faltering policy the country largely owes the many difficulties and uncertainties this act is aimed to remove. The act itself contains a reminder of these uncertainties and political catch words in providing that all money issued or coined by the United States shall be maintained at a "parity of value" with the newly established gold standard, a well sounding expression that has played such a prominent part in the political platforms and the monetary legislation of recent years, and which the country might feel justified in boldly interpreting to mean that all "dollars" are exchangeable for gold at the Treasury. The Public Credit Act of 1869 and the Sherman Act of 1890 had similarly provided for a "parity" of the various dollars, but, as our financial history shows, these expressions of good intentions did not permanently strengthen the government's credit, as the Resumption Act of 1875 did, which added to the good intentions of its framers certain provisions for reducing the government's floating debt.

Until we have on our statute books some provision for redeeming and cancelling these demand obligations, partly the inheritance of the Civil War, partly the reminder of our experiments with silver, no currency law can be called definitive.

The recent law, however, does take one welcome step in this direction by providing for the withdrawal of the Treasury Notes of 1890, which, by general agreement, have proved themselves a more objectionable form of currency than either silver certificates or greenbacks. Some \$85,000,000 of these are still outstanding, and will slowly be exchanged for silver certificates. The act is commendable in presenting a definite plan for the constituent parts of our currency. The policy of the first Cleveland administration, expressed in legislation in 1886, is followed, and silver certificates are relegated to the smallest denominations. One and two dollar bills will shortly be exclusively silver certificates; the movement to supersede small denomination greenbacks with them, which has been going on for fifteen years, will be hastened, and eventually greenbacks will be circulating in denominations of ten dollars and above. These two forms of government notes divide the field between themselves, and in a way most satisfactory, provided they are to remain parts of our currency system. But the national bank notes, as heretofore, are given no field to exploit, and are even handicapped in finding a place of usefulness by a provision limiting their amount in five dollar denominations to one-third the total issue.

From the very outset of our national banking system, our paper money and silver policies have seriously interfered with the issue of the banknotes which it was one of the leading aims of the system to encourage. And now, on the one hand, we propose to continue indefinitely the circulation of government notes, and, on the other hand, we are making every effort to infuse life into banknote currency with amendments to our national banking system, the effects of which must inevitably fall short of our expectations, and which are objectionable in other directions. The reduction of the minimum capital required to \$25,000 may furnish some relief especially to the agricultural sections. Of the proposed new banks a majority, as regards proposed capitalization, will have capitals of \$25,000

each. And these will be found most numerously in the farming States. However, it is noticeable how few applications for new banks come from the Southern States other than Texas. Moreover, it is still a question whether a \$25,000 bank is a desirable financial institution in view of the difficulty of doing a sufficiently large business to command the services of a competent banker. As to the provision regarding the issue of banknotes up to the par value of the bonds deposited, and as to the reduced tax upon banknotes, these can be but temporary expedients, the value of which, doubtful at present, must inevitably decline in time. As regards that part of the banking problem which is concerned with the note issue function, the present law offers no solution. It offers some inducement to the expansion of banknote issues, but it does not in the least add to the flexibility of our present national banknotes, the want of which has been so generally understood, and means of securing which have been so frequently suggested in the bank discussions of the past few years. The problem is not yet solved. The former difficulties in the banking system will necessarily re-appear. They have only been set aside for the time being, and at the cost of the government's control of its bonded indebtedness. By refunding the national bonds we may some day find that we have dearly paid for a mere palliative to the ills of the national banks.

In one particular the new Currency Act will prove a great boon to the student of our national finances. To it and to the efficient officers of the Treasury Department we owe a change in the monthly statement of the government cash balance, which is now a model of its kind. The cash assets of the government are now stated under five heads: the new \$150,000,000 fund, the trust fund, the general fund, deposits with national banks, and sums in the hands of disbursing officers. Besides providing \$150,000,000 specifically for the redemption of greenbacks and treasury notes of 1890—until the latter are retired—this arrangement sets aside the gold and silver held for the redemption of gold and silver certificates in a trust fund, which also contains the silver dollars and bullion—the latter at cost price—held for the redemption of the Treasury Notes of 1890, and also the greenbacks held for the currency certificates till these are finally retired.

The general fund contains all forms of specie and currency held by the government other than the sums included in the above reserve and trust funds. A separate item is made of the varying amounts on deposit with the national banks. Among the cash liabilities is given first the sum of the claims upon the above trust fund, namely the amount of outstanding gold, silver and currency certificates, as well as of outstanding treasury notes of 1890, but not of greenbacks—which, by appearing in the statement as a cash liability, would wipe out any cash balance. To this item is added the liability on account of the 5 per cent. redemption fund of the national banks held in trust by the government, and on account of sums due to disbursing officers. If the difference between the cash assets and the cash liabilities exceeds \$150,000,000—the reserve fund—its amount figures as the “cash balance exclusive of reserve and trust funds,” a new item in the government accounts. A general acquaintance with its meaning and derivation may lighten the task of completing the monetary and banking reform just begun.

The framers of the Constitution intended the President of the United States to be, like Bolingbroke’s “Patriot King,” above party and without party ties or obligations. To accomplish this they devised a plan which combined within itself nomination and election. The electoral colleges of the several States meeting separately and without any previous agreement as to concerted action were to discuss the men eligible for the position and to transmit to the seat of government the result of their deliberations in form of the vote of their State for the two best men in the country for the office. The man who received the majority of the votes of the several electoral colleges as disclosed at the formal counting was to be President, and the next in order was to be the Vice-President. In this plan there was no place for party action, and consequently, as soon as the political parties took on a sufficient degree of coherence, the system gave way at two points. First, a self-constituted **the congressional caucus**, selected a party candidate, depriving the electoral colleges of that vital function, and transforming

them from bodies chosen to select a candidate for the Presidency into dummies to record in a certain way the result of the election in the several States. Second, the tendency to uniformity of party action on formal nominations made it inevitable that normally there would always be an equal vote for two men, as in 1800, which would throw the election into Congress. In other words, as soon as there were party candidates for President and Vice-President respectively, the electoral colleges must vote for one man for President and another for Vice-President, or they would have no function at all, but would regularly be displaced by the House of Representatives. This alternative method, however, which ignores parties and party candidates even more than the original electoral colleges since the vote is by States, each State counting equally, was totally unacceptable and hence the twelfth amendment was absolutely imperative.

As nominating machinery the congressional caucus worked satisfactorily until the spread of democracy, gradually effacing the Federal party, brought the vast majority of the people into the ranks of the Republicans. Under these conditions nominations by congressional caucus was equivalent to election by Congress. Against this the new democratic spirit naturally revolted, and in the unique contest in 1824, when there were five candidates for the Presidency from the sole party in the field, four of them were presented to the people by factions which bolted the action of the caucus. Popular conventions suited the spirit of the times and nomination by national party convention soon became a conspicuous and accepted feature of our political life, arousing an interest and excitement second only to the final election itself in a close campaign.

This brief historical retrospect paves the way for the query whether the national nominating convention has lived its life and, like the original electoral colleges, is sinking into a machine which registers decisions made elsewhere, or like the congressional nominating caucus, will disappear before some new method. The last Republican convention, as regarded the candidate, merely registered a foregone conclusion, and the next will be even more mechanical in its operations. The last Democratic

convention exhibited the institution in its strength and in its weakness, but the next will function like a machine. Struggles over platforms may still impart a transient interest to these gatherings, but it may be that we have seen the last of the old conventions, those thrilling courses where so many times indecisive contests between the people's favorites lasted on till exhaustion or despair opened the way for the dark horse.

It is perhaps too early to forecast the outcome of this evolution, and to indicate the coming agency which will determine the candidates for the Presidency after the convention has become a form like the electoral colleges, but at present the real struggle seems to be transferred to the State and local conventions, and in consequence, "organization," as Senator Hanna preaches, becomes more than ever the secret of success. This cannot fail to reinforce the importance of the machine all along the line and with it of patronage. Possibly we may live to see a President elected as smoothly as the senators from New York State. The crucial question for our democracy will then be whether it can throw off this yoke as it did that of the congressional caucus seventy-five years ago.

No political issue in recent years has aroused more interest or been more earnestly discussed than the Porto Rican tariff. The revolt of the people against it and the opposition of so many of the party newspapers was a reassuring evidence that, despite the glamour of imperialism, the masses of the people are not ready wholly to renounce the principles of the American Revolution, and by the homage of imitation to confess that Grenville, North, Townshend, and George III, were right and the fathers of the Republic were wrong.

Yet what renunciation could be more complete than for the leaders of a party which won its first victory forty years ago on a platform incorporating the preamble of the Declaration of Independence, to close the century with legislation almost the exact counterpart of the Acts of the British Government which brought forth the American Revolution? It was the light taxation of four or five selected articles of import from England b-

the Townshend Revenue Acts that exasperated our forefathers against the mother country beyond reconciliation. The Porto Rican Bill taxes commerce in both directions. In both cases the assertion of a principle was quite as important a factor as the collection of revenue, and the principle was the same, that the immunities of the constitution did not extend to the dependency. Not only in principles, but in details do the policies resemble each other. The advocates of the Porto Rican Bill still expatiate on the singular and unprecedented generosity which provides that all the revenue collected shall be devoted to the needs of the Island. Unfortunately for their complacency, that feature of the bill is not without precedent, as can be seen in the following comparison:

TOWNSHEND REVENUE ACT, 1767.

"All the monies that shall arise by the said duties . . . shall be applied . . . in making a more certain and adequate provision for the charge of the administration of justice and in the support of civil government, in such of the said colonies and plantations where it shall be found necessary; . . . the residue of such duties shall be paid into the receipt of his majesties exchequer, and shall be entered separate and apart from all other monies paid or payable to his Majesty . . . ; and shall be there reserved, to be from time to time disposed of by parliament towards defraying the necessary expenses of defending, protecting, and securing the *British Colonies in America.*"

PORTO RICAN BILL, 1900.

"The duties and taxes collected in Porto Rico in pursuance of this Act, . . . and the gross amount of all collections of duties and taxes in the United States upon articles of merchandise coming from Porto Rico, shall not be covered into the general fund of the Treasury, but shall be held as a separate fund and shall be placed at the disposal of the President to be used for the government and benefit of Porto Rico until the government of Porto Rico herein provided shall have been organized."

In the eyes of the fathers, nothing was more dangerous to liberty than the "union of the purse and the sword," but the Porto Rican Bill not only exceeds the Townshend Acts in the range and burden of taxation, but places the receipts at the arbitrary disposal of the President, while the Townshend Act placed them under the control of Parliament.

Again, the Upper House or "Executive Council" of the Porto Rico Bill finds its exact counterpart in "the council or court of

assistants" of the hated Massachusetts Government Act of 1774, and not in the standard form of our traditional territorial legislatures. And, finally, the best commentary upon the reiterated assertion that Porto Rico must not look forward to full rights as a territory or to ultimate Statehood, is one of Franklin's "Rules for Reducing a Great Empire to a Small One," written in 1773. "Take especial care the provinces are *never incorporated with the mother country*; that they do not enjoy the same rights, the same privileges in commerce; and that they are governed by severe laws, all of your own enacting, without allowing them any share in the choice of legislators."

The signs of the times point to an extensive revision of our traditional historical judgments.

DEMOCRACY AND PEACE.

IN his thoughtful pamphlet on "the true historic relations of England and America," Mr. Edwin D. Mead cites the opinion of Immanuel Kant to the effect that universal democracy would mean universal peace. In this Kant represented accurately the doctrine of democratic reformers in his day. It was a part of their creed that the common man of all countries is essentially peaceable, fair-minded toward the men of other countries. Kings alone made wars; their dynastic ambitions and rivalries alone stood between the people and lasting peace.

The terrible wars attending the advent of revolutionary democracy in France did not greatly shake this doctrine. The democrats of 1792 professed to wage their war with kings, not with other peoples. It was to be a sacred war for human liberty and equality—heralded by the decree of Fraternity. Once the power of kings, the privileges of nobles, and the exorbitant pretensions of the clergy were done away, the whole world was to enter on a new era of universal peace and brotherhood. We know how quickly the movement of 1792 degenerated into an ignoble war of conquest; and many infer that the professions with which it was begun were mere sham and pretense. Yet those professions were at least in full accord with the democratic philosophy of the time; and in spite of the long wars that followed, in spite, too, of the fact that the restored monarchs and their Holy Alliance gave Europe forty years of peace, the doctrine of the superior peaceableness of democracy, continued to live and flourish.

There is, of course, no question here as to the merits of democracy as a system of domestic government. We are all believers in popular government. It is the only system that can maintain itself under modern conditions. Our present question is confined to a mere incidental phase of the system: does the inevitable spread of democracy, in and of itself, make for international peace?

It is, of course, too early to reach a conclusive judgment on this question. Yet a few things are plain. It so happens that the

half-century which has witnessed so great an extension of popular control in government has been marked by an unusual number of wars and threats of war. In Central and South America where, at least in theory, democracy has the whole field, where also there are no differences of race, language or religion among the ruling classes, wars, as we know, have been almost chronic. The precise causes of those troubles are too little known to enable us to point their moral; we therefore leave them out of the account. We may also leave out petty struggles, such as the Bulgarian-Servian war of 1885, our own war in the Philippines, England's many wars with the uncivilized and semi-civilized peoples bordering on her wide-spread empire, the wars of France in Tunis, Madagascar and Tonquin, and other similar disturbances of the world's peace. Omitting all these, there have been, in our half-century, ten serious wars: an average of one for every five years.

Of these ten great wars it can be shown pretty conclusively, that seven were largely, if not wholly, due to popular excitement on one side or the other, rather than to the inherent difficulty of reaching a peaceful adjustment of the matters at issue. The war of 1859 so far as France and Austria were concerned, and the war of 1866 between Austria and Prussia, were clearly wars of the old sort—made, that is to say, by the governments. The war of 1877 was also, perhaps, of that sort, although popular clamor in Russia was said by some to have had much influence in deciding the Tsar to adopt warlike measures. If we look into the state of things immediately preceding each of the remaining seven wars, we find in every case a strong popular movement toward armed conflict. England was carried into the Crimean war against the judgment of its ministry, because the press and the public insisted on it. Popular outcry in Denmark in 1863 forced the new king into a course which could only result in war with Germany. Popular excitement, rather than the real difficulty of the question at issue, brought on the Southern Rebellion of 1861. Popular clamor drove Napoleon III to make his fatal war of 1870. Popular excitement in Athens drove the King of Greece into his fatal war with the Turks in 1897. Popular demand for extreme measures with Spain took the Cuban

question out of the field of diplomacy in 1898. Not greed of capitalists and not English lust for conquest, but popular agitation and race-feeling in South Africa, have brought on the present unhappy contest in that quarter of the world.

The truth is that the international side of democracy is its weak side, and this for two obvious reasons. First, it is on international questions that the strongest feelings of the multitude—race feeling and national sentiment—come into play. Calm reason, openness of mind for the other side of the case, are apt to fail us. We think the other country is wilfully perverse, when her people may be quite as honestly confident in the justice of their cause as we are in the justice of our own. Secondly, the democratic method of settling contentions is not available between nations. In our domestic affairs we have our party issues and often fall into angry disputes; but we can usually agree to let the ballot decide. Majority rule, more or less diluted with other rules, is the fundamental principle of democracy; but internationally it cannot apply. Arbitration may, indeed, be regarded as an effort to apply a modified form of the democratic principle to the settlement of international difficulties.

Several new agencies have come in, during the past fifty years, to alter profoundly the conditions of diplomacy—especially of diplomacy under the sway of democracy. The electric telegraph and the penny newspaper probably affect international relations even more deeply than they affect home politics. The slow methods of the old diplomacy left intervals for reflection. The despatch-bearer might apply whip and spur, but his most urgent message was half-forgotten before the answer came back. Now, however, despatch and answer are practically simultaneous. In the fervid days of July, 1870, the duc de Gramont stood at the Paris end of the telegraph line insisting on immediate answer from Benedetti and King Wilhelm at the German end. All Paris was ablaze with excitement: the editors and the boulevards would have immediate reply. The street interview at Ems, the Prussian circular despatch, and the angry cry for war from a thousand presses on both sides of the Rhine, came on one and the same day.

The new conditions have revolutionized diplomacy. The ambassador of old days had of necessity large liberty of action: the distance and the slow communication with his government required that he should have much independent initiative. In a critical time he had leisure for smoothing out if he would the asperities of international debate. Time, the great healer, was on his side; he could reason and explain and feel his way to a possible settlement of troubles. From his superior, up-to-date knowledge of the situation at the foreign end of the difficulty, he could exercise much influence for moderation on his own government. The softening agencies of diplomacy had time to produce their effect. There were unhappily wars before the telegraph was invented; and some one may wish to interpose the suggestion that an Atlantic cable might have averted the war of 1812. A possible rejoinder is that the absence of telegraphs and penny papers had the effect of postponing the outbreak till 1812 and came near to preventing it altogether. It can hardly be doubted that if present conditions had prevailed in 1809, we should have gone to war with one or both of the European belligerents in that year, instead of passing the non-intercourse act.

In quiet times and on minor questions the ambassador has undoubtedly still a useful function. Even in critical times circumstances may arise which give him opportunity for the exercise of some moderating influence. Those who have read the recently published *Memoirs and Correspondence of Lord Playfair* will think at once of the illustration afforded by Ambassador Bayard during our Venezuelan madness. Our State Department had sent out a despatch adopting as our own a thoroughly false account of the disputed boundary question between British Guiana and Venezuela. We demanded a prompt reply to the question whether Great Britain would agree to submit the boundary dispute "in its entirety" to arbitration. The answer was that if its entirety meant the whole demand made by Venezuela, the proposal could not be granted. Venezuela had steadily insisted on bringing into question titles to lands held under Dutch and British jurisdiction for more than a century. Her Majesty's government declined to submit to the judgment of any foreign power, or of any foreign jurist however eminent, the question

whether those lands and their inhabitants belonged to the Colony or not. Then followed the wild message to Congress and the war cries of our excited press.

Fortunately no answer was attempted to Lord Salisbury's despatch; in truth no answer was easily possible that should at once justify our action and be true to the facts. The silence of our State Department gave time for the friends of peace to correct the mistake of the administration. The letters that passed between Mr. Bayard, Lord Playfair, and Mr. Chamberlain show how our government was led, somewhat grudgingly as it would appear, to admit the justice of the English claim that long settled lands on both sides of the line should be excluded from the proposed arbitration. The whole furnishes a comforting illustration of the good work that may still be done by a real ambassador in spite of the new conditions.

This brings us to another and perhaps more important feature of diplomatic relations under democracy. Diplomacy in old times was synonymous with secrecy. The sovereign instructed his ambassador, received and answered the communication of other sovereigns, keeping the whole from the public and even, sometimes, from his own ministers. Some occult flavor and reminiscence of this old theory still lingers about foreign offices. The ordinary humdrum intercourse of governments is allowed to proceed under a veil of great secrecy.

Given, however, a case offering materials for a public excitement, a case therefore in which successful negotiation may depend much on real secrecy, and you have at once a widely different situation. In such a case the so-called new diplomacy makes no attempt at secrecy. Instant publication of every despatch has become the rule. The practice is called new, but there are examples of it more than a century old.

The reasons for publication in such cases are probably mixed. One reason alone seems conclusive to some. If the people are sovereign, surely this critical and momentous business concerns the sovereign, and ought not to be withheld from public knowledge. Nobody would propose to settle any great domestic question by stealth: on what ground shall one contend that government by the people, for the people,

extends only to domestic questions? Foreign relations may involve the welfare of the people to an indefinitely greater extent than ordinary domestic questions do. Errors in that field may have consequences much more lasting, much more difficult to remedy than any mere domestic blunder. To set up a doctrine that because foreign questions arouse us so deeply, therefore they ought to be decided for us without our knowledge, would seem to strike at the whole theory of democracy. At least it would seem at variance with that frank and thorough-going theory of democracy which European democrats avow.

There is a further reason why, in critical negotiations, autocratic as well as popular governments are likely to adopt publicity in these cases. I refer to the great tactical advantage of having a mighty and vociferous crowd behind the negotiator. Here we have, probably, the main object and motive force of the new diplomacy. Support, steady and loud, is at least as precious in meeting an adversary in negotiation as it is on the ball-field. The modes of giving support in both cases are familiar to all and need no description.

It may be that our quarrel ought to be not with publicity in itself but with the abuses of it. There is certainly much to be said for transacting public business above-board, and if our negotiators would but remember certain elementary rules of fairness and good morals, publicity of their work could do little harm. But they are too apt to forget that the primary object of civilized diplomacy is to promote the general interest and maintain friendliness between the nations. They do not sufficiently remember, that in cases of controversy, the only rational object in writing a despatch is to convince the other government, not to overwhelm it with gall and wormwood. Since there is no court or conclave to sit in judgment on the question, methods that may be legitimate in a law-suit or in a political debate, are wholly unsuited to an international controversy. Moderation and reasonableness being presumably the best way of commanding your contention to the other side, all annoying suggestions ought to be scrupulously avoided. Only when the opponent shows himself impervious to reason should anything in the nature of pressure or violent demonstrations be thought of.

If despatches were always framed on these lines, publication might perhaps be safe. Even then, the final adjustment of differences might be made more difficult by publicity. It is more difficult to recede from a position taken in public than from one taken in private. When, as happens in practice, the position is not only taken in public, but is emphasized and enforced by excited and angry crowds, the difficulty of peaceful adjustment is indefinitely increased. In presence of actual conditions therefore, the old rule of secrecy would seem to be the rule of safety.

This brings us to another most fundamental change in the conditions of diplomatic intercourse in the democracies of our day. The spirit of nationality has been greatly developed and intensified in our century. It has remodelled the map of Europe and threatens to continue the process. More and more, political divisions tend to correspond with differences of race and language. When patriotism and race sentiment are aroused, reason, moderation, the ability to perceive the other side of the case, take their leave. I do not now refer to the immoral maxim, "my country, right or wrong." I mean simply that most of us are incapable of judging when our country is wrong. We have no eye for the other country's point of view, no ear for her plea, however reasonable it may be.

This passion, worthy and noble, when worthily and nobly directed, is the thing which the new diplomacy is tempted to exploit, and this is the evil and the danger of the new diplomacy. The despatches nominally intended to confound the foreign opponent, are really intended to work on the national spirit at home.

When, in the new conditions, a critical question arises—a sailor fracas at Valparaiso, or a Fashoda incident in the Nile—the attempt to settle it takes on at once much the appearance of a prize-fight. The champions stand forth and deliver resounding blow after resounding blow, while millions of shouting supporters urge them on. The only way of avoiding war in such case is that one or other of the contending governments shall yield the point in dispute—and that promptly—salving over the humiliation of itself and its people as best it may.

The question what a lover of his country should do when he believes his government to be taking an unwarrantable course towards another country, is a question to try men's souls. Must such a man sit silent and thus make himself a partner in the wrong? Of course not, so far as his personal voice is concerned; he may at least write to the secretary and protest. But if he be a man in public life, to whom many look for guidance on public questions, may he further state his views openly, and use his influence against the policy of the administration? To deny the right and even the duty of such a man to speak out, seems a denial of the elementary principles of democracy. But the trouble is that an agitation against the government in a foreign question has effects beyond our own borders. We are told that it may and does encourage the other government to resist. If the question be one of the critical sort, and the issue of peace or war be at stake, the effect of encouraging the other country in its contention may be to involve it in war. Now there are but few debatable matters which a country would not better concede, rather than go to war. We are asked, therefore, to believe that unless an opposition be strong enough to restrain the war policy of its own government, the part of kindness is to avoid courses which may encourage the foreign government in resistance. But how is an opposition to know, before making the effort, whether it is or is not strong enough?

It was said in 1853 that the agitation carried on by Cobden and Bright against English intervention in the Eastern question was an indirect cause of the Crimean War, by leading the Tsar to believe that he had nothing to fear from England. Truly or untruly, it has been alleged that opposition to imperialism in this country was an element in determining Aguinaldo and his followers to resist the assertion of American authority in the Philippines. Similarly, it is said in England to-day that the opposition to the ministerial policy in South Africa did much to encourage the Boer government in so stiffly refusing redress for the grievances of the Outlanders. All this may be true and in its place important; yet one must be allowed to say that it has a hollow sound.

These imputations come from high but hardly disinterested sources. They are urged by men primarily responsible for the war policy. They ask us to believe that their own warlike movements would have preserved the peace, if only the efforts of real friends of peace had not spoiled the plan. The argument is closely akin with that which aims to prove that the best way to preserve peace is to be always ready for war. Both arguments rest on the assumption that the other nation will be afraid of you and will yield its point, if only you threaten it unanimously and with enough guns. But how if the other nation, too, happen to have adopted the same philosophy of peace? If all nations be fully prepared for war, and each be properly unanimous in maintaining every war policy, it is a little hard to see where the influence making for peace comes in. The doctrine probably involves the same sort of fallacy that the economists have to meet and refute in so many plausible forms; namely the fallacy of a general rise of values. Though any particular commodity may rise in value, all cannot rise in value simultaneously. One nation may so outdo all others in preparation for war, that no other nation will dare make war with it. But that, it seems to me, is about all there is of truth in the doctrine that preparation for war tends to preserve peace.

So of the other kindred doctrine that resistance to war excitement provokes war. If the friends of peace in all countries excite in their eloquence and influence against aggressive policies, needless wars and extravagant armaments, the aggregate natural result can only be to make for peace. If when millions are shouting for an aggressive policy, there be nobody to counsel forbearance and moderation, what is the world coming to?

There is indeed, as historians have begun to notice, a sense in which the full-blown flower of preparedness for war tends to sober public opinion. It is probably true, for example, that France, since her adoption of universal military service, is less exposed to war-fever than she used to be. Every French household has now the strongest of reasons for opposing needless war. It may well be doubted whether, for example, the Fashoda incident could have occurred in the days of Louis Philippe or Napoleon III, without causing instant war. By enlisting family

affection in opposition to the promptings of national jealousies and resentments, the universal military service may have an undesigned influence in favor of peace. It is a suggestive fact that there has been as yet no war between two nations where both belligerents had the new system.

Whatever of restraining influence may be found in the universal military duty, will, of course, have no effect in America or in England. The Anglo-Saxon nations plume themselves on their achievements in the arts of peace, and justly so. They both profess to detest war; yet large crowds, perhaps a majority of both nations, seem to think of their country's achievements in war as its chief glories. Whether we detest war or not, no nation is likely to be greatly restrained by the horrors of war so long as the actual fighting is done by professional soldiers and voluntary recruits. Neither we nor the English could endure the Prussian military system; we are, theoretically at least, too peaceful for that. It would be a strange freak of perversity if our theoretical devotion to peace should be found to incline us, in practice, to a more belligerent tone than nations that are vastly more military.

And here we come to the main question for thoughtful men in both countries. What are the safeguards for peace between the two great democracies? England has spread so wide her nominal dominions—nominal because practically she exercises no dominion over most of them—that she now touches elbows at some point with almost every nation of the world. Hardly a year passes in which she does not find herself at war with some neighbor, great or petty. Foreigners are apt to say that the English heart has been hardened to the miseries of war. We, too, apparently have now entered on the imperial task, and we have already begun to perceive the nature of "the white man's burden." Frequent wars, great or small, are probably inevitable for any nation that undertakes the extension of civilization. This may be no reason for declining the task; at all events, it is not so intended here. A civilizing nation prevents many worse and more cruel wars than she makes; and if she carries out her task intelligently and in the proper spirit, I see no reason to doubt the resulting gain to the world. But the effect on herself, at least temporarily, may be to induce a certain callousness on the

subject of war. As already remarked, the English are said to suffer in this way—in spite of the fine spirit of philanthropy they have developed in other things. And there are signs that we, too, have become infected. Ten years ago it would have seemed incredible that we should soon be reading from day to day, with so much composure, the operations of our soldiers in the Philippines. Perhaps our Indian wars and our Spanish war prepared us for it. At all events, such is one effect of taking up "the white man's burden."

In spite of the happy new friendliness between us and the English, it is difficult to avoid the apprehension that our new departure increases seriously the danger of collision between the two nations. When, in our late war with Spain, it had become clear that we had the sympathy of the English, a jocose friend of mine remarked: "Well, I am glad to see that the two great Anglo-Saxon nations, recognizing a common tendency to grab everything in sight, are beginning to draw together." The remark was suggestive as well as humorous. How if the two should some day happen to grab for the same thing? In imperialism as in other things, perhaps more than in other things, one step leads on to another. Russia shows this; England shows it; France and Germany show it. We have already shown it and shall undoubtedly continue to do so.

France withdrew from Fashoda—a wise and proper course—for she had made a mistake in going there. But who can be quite sure that we should do the same in the like case? What would our many editors say? What would our congressmen say? Judging by the past, their sayings would probably be neither wise nor peaceable. The moral is obvious. The two great English-speaking democracies, the two lands of ordered liberty and law, on whose continued friendliness the hopes of the future so greatly depend, have probably increased the risk of angry collision. The only remedy is a comprehensive arbitration treaty. The present friendliness offers a precious opportunity for making one. As the failure of the last effort was by our action, it would be fitting that the renewed attempt should begin with us.

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THE POLITICAL CONSEQUENCES OF CITY GROWTH.

UNTIL quite recently the attention of students of municipal affairs has been directed almost exclusively to the governmental and administrative aspects of the municipal problem. Largely owing to this fact, the deeper significance of many of the changes directly traceable to the increase of urban population has been lost sight of. A more thorough appreciation of the changes in the conditions of life and action which city growth involves is a matter of more than scientific interest, for in it the whole question of municipal progress is included.

It is possible to examine the political influence of cities from several different points of view. We may inquire into the effects of city life upon the political thought and action of the city population; or we may trace the influence of cities upon the political life of the nation. These two questions may best be examined separately, as they deal with essentially different problems, the one requiring a psychological inquiry, the other an examination of political relations.

As regards the first question, it is evident that we have to deal with the influence of the environment upon the feelings, instincts, and desires of the individual and of the group. An analysis of the conditions of city life gives evidence of certain definite influences which will ultimately develop a type of city thought and action clearly distinguishable from that of the rural districts. That the progress of differentiation is not further advanced is due mainly to the fact that the traditions and habits of thought of modern nations have been developed under the conditions of rural life. It is necessary, therefore, to counteract this social inheritance before the process of adaptation to the conditions of city life can proceed very far. Many, if not most of the defects of modern city life, are directly traceable to this lack of harmony between the instincts and standards of conduct of the individual and the conditions of the environment. A comparison between the inhabitants of the country and the city at the present time, while it gives evidence of certain marked dif-

ferences, shows but the beginning of a far more radical transformation through which coming generations of city inhabitants must pass.

It is evident that the mere fact of a change of environment from rural to urban conditions is certain to work profound changes in our political ideals. The disintegrating effect of a new environment upon accepted traditions and formulae is one of the fundamental laws of social change. The transition from rural to city life has acted as a solvent of this kind. In fact, so powerful has been its influence in this direction, that many thinkers have ascribed to city life a purely destructive role—undermining all accepted ideas, traditions and beliefs. Such a generalization is both hasty and premature, but is readily explained by the fact that up to the present time the conspicuous function of city life has been to break down the social and political standards developed under rural conditions. To take a concrete instance:—during the early period of our national development the conditions of rural life strengthened that negative attitude of the American people towards government which we inherited from the English struggle with the Crown. We have been accustomed to regard protection of property rights as the real and usually the only legitimate field of governmental action. Beyond these limits State activity is called State “interference”—an encroachment upon the liberty of the individual. It is comparatively easy to explain this attitude when we consider the character of the early settlers. In any new country the pioneers are, by a process of natural selection, the most energetic and independent. They constitute a population trained to depend upon themselves and with little sympathy for schemes involving governmental cooperation. With them, intense individualism finds unquestioned acceptance. But with increasing density of population new standards of governmental action are forced upon the community. One of the first effects is to make apparent the necessity of public regulation in the interest of the public health and morals. The patent facts of every-day life demonstrate the evils of unrestrained individual liberty, which is the first step towards a broader interpretation of the regulative function of government. The closer interdependence of the individuals of the community, the fact that the activity of each affects the wel-

fare of the whole at so many points, must necessarily influence the standards of individual liberty. This is the first and the most important point of contact between the political ideas and the social activity of the community. The political principle of non-interference with individual activity—so dear to the Anglo-Saxon—cannot receive the same acceptance in the city as in the country. The change in attitude towards governmental activity is one forced upon the community by the conditions of city life. The evils resulting from unregulated development are so numerous and press with such weight upon all classes that the modification of political ideas takes place with relatively little friction. It first finds expression where the pressure for the extension of governmental control is greatest, viz., in the matter of sanitary regulations.

The next step in the development of a new concept of governmental action begins with the undermining of faith in the effectiveness of free competition as a guarantor of efficient service and regulator of progress. No one who has followed the trend of opinion in the large cities of the United States can have failed to observe the gradual awakening to the limitations of free competition. The facts of corporate combination and consolidation—particularly in such quasi-public services as the street-railway, gas and water supply—have done more to bring about a truer appreciation of the relation of the community to industrial action, than any amount of discussion or argumentation. American communities have at first dealt with every one of these services on the basis of free competition. Under this plan, short periods of low prices and indifferent service have led to combination or consolidation, with the high cost incident to inflated capitalization. Lessons such as these have profoundly influenced the political thinking of our urban communities. There is no longer the same distrust of all positive governmental action so characteristic of the early decades of the century and still finding expression in the rural population.

A further step in the development of political thought directly traceable to the influence of city life, is closely connected with this growing appreciation of the nature of the city environment and of the reactive influence of such environment upon the popu-

lation. The conditions of life in the city are capable of indefinite modification through the action of individuals or through the concerted action of the community. The history of every large city bears testimony to the possibilities of radical changes in environment conditions, changes which have profoundly affected the health, morals and welfare of the community.

The general appreciation of the tremendous power at the disposal of the community cannot help but exert a strong influence upon the political ideas of the urban population. The rapid extension of municipal functions during the last few years is an indication of a marked change of attitude towards the municipality. This does not necessarily mean that we are approaching a period of municipal socialism in the ordinary acceptation of the term, although the tendency is certainly in that direction at the present time. Ultimately, the industrial activity of the municipality may be relatively less than it is at the present time. The change in political ideas will be in the direction of demanding of the municipality the physical conditions for the best utilization of the industrial possibilities of the individual and for the gratification of his æsthetic tastes. Perfect sanitation, a good water supply, and a cheap and efficient system of transportation will be regarded as rights instead of desirable privileges.

While these changes in the attitude of the population towards government constitute the most important of the consequences directly traceable to the influence of city life, there are unmistakable indications of important modifications in our standards of governmental structure due to the same set of causes. The organization of our government—national as well as State—has been determined by a political philosophy inherited from the English Whigs of the eighteenth century. The central thought of this philosophy is the belief in a governmental mechanism acting through "checks and balances" and designed to prevent the abuse of power. Concerted action between the various organs of government was what the English middle class of the eighteenth century feared most. It was felt that the individual could only be protected from the tyranny of government by allowing one organ of government to check and even counteract the action of another. Division of power was regarded as essential to the

preservation of individual liberty. This faith in a nicely balanced mechanism of government as a guarantor of political progress finds expression in the reform movements of the time. Their main object was to perfect the structure of the organs of government rather than to influence political thought and action. To these political ideas and standards the American colonists fell heir. When we stop to consider the characteristics of the first generation of Americans and the nature of the environment in which they found themselves, it is not at all surprising that these principles should have been applied with a logical consistency far surpassing that of the English Whigs. It is interesting to note that at the time the States began to construct their system of municipal government upon this basis, English political sentiment was undergoing a change in favor of concentrated authority and concentrated responsibility.

In the period immediately following the adoption of the Constitution the faith in the system of "checks and balances" seemed to gain rather than lose in strength, due in large part to the grievances against the English Crown. The oppression from which the colonists had suffered was ascribed to a lack of proper adjustment of checks upon legislative and executive action. It is not surprising, therefore, to find this theory of government determining the organization of our State and national governments. At first the traditions of English borough government prevented its application to the cities. The "close corporate" organization, modelled after the English borough of the eighteenth century, soon proved itself inadequate to the problems of the rapidly growing towns and was furthermore out of harmony with the democratic ideas then prevailing. The dissatisfaction which resulted furnished the opportunity for the application to city government of the political principles which had already been applied to the State and national systems and which were regarded as necessary to the preservation of free institutions.

The popular faith in the efficiency of this form of government was so great that the unsatisfactory working of the system was ascribed to imperfections in the mechanism rather than to any inherent defects of operation. Instead of subjecting the system

to a thorough examination to ascertain whether it was adapted to the kind of problems with which the city had to deal, attempts were made to patch defects by means of minor changes in organization.

It is only within the last decade that we begin to find an awakening distrust of this system of divided power and divided responsibility. Industrial development—particularly the management of private corporations—has impressed upon the country the advantages of concentrated power when accompanied by individual responsibility. The analogies between the administration of municipal departments and certain forms of corporate enterprise are so numerous that the application to the former of experience obtained in the latter is dictated by the most elementary political reasoning. In fact, municipal government is often spoken of as a kind of business undertaking. The traditions of concentrated power developed in business life have thus had a distinct influence upon that portion of our political system which it most closely resembles, viz., the organization of our city governments. The decline of the local legislative assembly which has accompanied the concentration of power in the mayor, marks one of the turning points in the development of political ideas. We have begun to realize that individual liberty is no longer dependent upon the "reciprocal struggles of discordant powers" and that the progressive development of municipal policy demands the coöperation of all the organs of government rather than their mutual distrust. To ensure efficiency in administration it is necessary to give to individual officials full authority to carry out the principles of policy determined upon by the legislative organ.

The modification in popular opinion regarding the structure of city government is beginning to show its influence upon our State and national life. The tendency to curtail the powers of the State legislatures has become so marked that they have already been reduced to a position of subordinate importance. The governor's powers, on the other hand, have been constantly increasing. The great number of executive commissions subject to his power of appointment and removal has given him an effective control over the administrative policy of the State. This concentration of power has resulted in a concentration of respon-

sibility which makes the gubernatorial election the popular verdict on party policy.

Changes in the problems and structure of government do not, however, exhaust the political consequences of city growth. Besides the direct influence of environmental changes upon political ideas, there is an important indirect influence traceable to the conditions of intellectual life in densely settled communities. The intellectual stimulus which results from the close contact of mind with mind has been clearly set forth by Bagehot, Maine, Pearson and Giddings. The weight of custom and tradition which rests as a pall upon all early civilizations cannot resist the spirit of analysis and criticism fostered by the discussions of the forum and market place. While the limits of such discussion are comparatively narrow, the possibility of free criticism develops that healthful variation in political thought upon which progress depends. The constant interchange of ideas which concentration of population—particularly in periods of undeveloped transportation facilities—makes possible, is the entering wedge for the growth of political toleration. The discussions within the “sacred precincts” of the ancient cities, of the market place in the mediæval towns, and the constant criticism to which every political movement is subjected in our modern cities, constitute the great solvents in the political life of modern nations. In fact, as has already been pointed out, the prominence of this influence has led many writers to the conclusion that the influence of cities is destructive rather than constructive.

In support of this proposition it is argued, that while the great revolutions in political thought have proceeded from the cities, they have failed to furnish the constructive principles of new institutions. The influence of Paris upon the political life of France is cited as a case in point.¹ In no other modern country has one city developed such power over the political life of the nation, due in part to the centralization of French administration, but mainly to the fact that Paris, as the political and intellectual capital of the country, attracts the best talent in every field of activity. The provinces look to Paris for their standards in political as well as in social life. The history of the

¹ See *Spectator*, November 5, 1898. “The Influence of Paris.”

country during the present century points to the conclusion that "while the fundamental principles upon which French institutions rest have been upheld by the conservatism of the provinces, the great catastrophic forces have been directed from Paris." It seems more than probable that were Paris to have full control of the political policy of France, political instability would be even greater than it is at the present time.

To explain this influence of the city we must picture to ourselves the effects of a change of environment upon individual thought and action. The inhabitant of the country districts, moving into the city, finds himself confronted with new conditions of life which cannot help but react upon the ideas inherited from or acquired in the country. Until adaptation to the new conditions has been effected, the undermining of the old standards of thought and action is apt to find expression in a form of political radicalism negative rather than constructive. Furthermore, the great contrasts in social conditions, in political power, in intellectual capacity, which are constantly before a city population tend to undermine its faith in equality and to weaken the belief in the reality of democratic ideals. Social discontent, which is so closely connected with the awakening desire for economic betterment, tends to strengthen the reaction against accepted ideas and traditions. With these forces at work it is not surprising to find the intellectual impetus to revolutionary movements coming from the cities. This has certainly been the case in France during the present century. In Germany the cities are furnishing an ever increasing number of adherents to the anti-governmental parties; while in England and the United States the cities have long been centers from which the most searching criticism of existing conditions has proceeded.

This rather negative role which has been assigned to the city by recent writers must be regarded as characteristic of a period of transition from a country to a city civilization. The stability and further progress of our institutions depends upon the growth of habits of thought and action in harmony with the conditions of city life. These must be just as definite and positive as those which country life developed. When we have fully grasped the demands which a higher type of city life makes upon

the individual and have become clearly conscious of the form of government adapted to meet city problems, the more positive part which the city has to play in the development of political thought will be accomplished.

If the effects of city life upon political ideas are of the nature indicated, it is evident that the gradual transition from rural to urban conditions is fraught with the most far-reaching consequences. With the gradual increase in urban population there is introduced into the body politic a new influence which acts as a dissolvent of political standards and which may react unfavorably, at least for a time, upon national life. Openness to new ideas which characterizes the city population usually means the absence of profound conviction on any fundamental question.

The great political parties in all countries have long recognized this fact, and this accounts for their desire to prevent the cities from obtaining a controlling influence in political life. The dominant party feels that the forces which it has most to fear emanate from the city. This fact accounts for measures which would otherwise be inexplicable. Thus it would seem that when the movement of political opinion in the cities is favorable to a party, it would do everything to give to the cities an influence at least proportionate to their population. The instinct of self-preservation, however, dictates an essentially different course. It is tolerably certain that from the constant criticism and analysis to which party policy is subjected in the cities, a movement unfavorable to the dominant party will gradually develop. We have, therefore, the curious spectacle of the dominant political party refusing to give to the cities their proportionate share of representation in spite of the fact that such a change would increase party power—for a time at least. The distrust of the stability of political opinion in the cities leads both parties to hold them to a minimum of representation. This fact explains, in part at least, the readiness to insert in State constitutions provisions setting definite limits to urban representation in the legislature. It is a significant fact that this prohibition is directed almost exclusively against the largest cities, in which the oscillations of political opinion are most frequent. Thus the Constitution of Pennsylvania¹ provides that "no city or county shall

¹ Article II, Section 16.

be entitled to a separate representation exceeding one-sixth of the whole number of senators." The Constitution of New York¹ provides that "no county shall have more than one-third of all the senators; and no two counties, or the territory thereof, as now recognized, which are adjoining counties, or which are separated only by public waters, shall have more than one-half of all the senators." This latter provision is clearly directed against the Greater New York. Such provisions are not peculiar to Pennsylvania and New York. They are found in the constitutions of many of the other States. The following table will show the discrepancy between the population and representation of the larger cities as compared with the representation of the total population.

CITY	Population of City, 1890.	Population of State, 1890.	Relation of City to State Population.	Actual Number of Representatives in State Senate.		Total Member- ship of State Senate	Number of Repre- sentatives fully represented	Actual Number of Representatives in Lower House		Total Member- ship of Lower House	No of such Repre- sentatives fully represented
Greater New York	2,936,212	5,997,853	49.78 per cent.	21	50	25	61	151	75		
Chicago	1,099,850	3,826,351	29	"	15	51	15	42	153	44	
Philadelphia	1,046,964	5,258,014	20	"	8	50	10	36	204	41	
Bronoklyn	806,343	5,997,853	13	"	7	50	7	21	151	20	
St. Louis	451,770	2,679,184	17	"	6	34	6	15	140	24	
Boston	448,477	2,238,943	20	"	8	38	8	50	240	48	
San Francisco	298,997	1,208,130	25	"	9	40	10	18	80	20	

While we do not find constitutional limitations preventing the cities from enjoying their full quota of representation in European countries, the same influences have produced similar results. With the constant shifting of population, resulting in the growth of urban centers at the expense of the country districts, it is evident that the more rapidly growing districts fail to obtain the representation to which their population entitles them,² unless a constant revision of electoral districts be made. In Germany, for instance, the electoral districts have not been thoroughly revised since 1871, when the unit of representation for the Reichs-

¹ Article II, Section 4.

² For the statistics of urban representation in European countries, I am indebted to the work of Professor Meuriot on "Des Agglomérations Urbaines dans l'Europe Contemporaine."

tag was fixed at 103,000 inhabitants. The growth of population since that time has caused the unit of representation to rise from 103,000 to 131,000, a change which is mainly due to the growth of cities. Thus Berlin was given one representative for every 138,000 in 1871; whereas in 1897 the unit of representation for the city was 280,000. From these figures it will be seen that the discrimination against Berlin dates from the foundation of the Empire and that the phenomenal increase of population of the capital city has intensified the discrepancy in representation. As far as its representation is concerned, Berlin has occupied a position of diminishing importance in the national legislature.

For the whole of Germany, it is interesting to note that in 1871 the relation between urban and rural population and their respective representation in the Reichstag was essentially the same, the former being 6.9 per cent., the latter 6.8 per cent. By 1897, however, the percentage of urban to rural had increased 13.9 per cent., whereas relative representation had remained unchanged. As the growth of urban population is far more rapid in the northern than in the southern sections of the Empire, it is evident that this discrimination against cities gives to the south a disproportionate share of political representation. As this is the section of marked particularistic or "States' rights" sentiment, it is evident that the decentralizing political forces are given undue strength.¹

In France the urban centers enjoy representation in the national legislature nearly proportionate to their population. The twelve largest cities, which include 11.9 per cent. of the total population of France, are given 11.3 per cent. of the total representation. The senatorial divisions, however, combine urban and rural districts and thus prevent the urban centers from having a distinct representation.

England furnishes another instance of the unwillingness of political parties to adjust national representation in accordance with the changes in the distribution of population. During the first decades of the century the agricultural counties of the south

¹ See Meuriot, *op. cit.*

of England dominated the political life of the country. The small boroughs which controlled the representation in the House of Commons were concentrated in the district south of the Trent. Until the changes brought about by the Reform Acts of 1832 and 1834 the region north of the Trent elected but one hundred and thirty-one out of a total of four hundred and forty-nine members of Parliament. Even at this time the south was given greater political influence than its population warranted. The north had one representative for every 135,000; the south one for every 128,000. It required a long struggle, extending over the greater portion of the century, to assure to the northern counties their due proportion in the national representation. The Reform Act of 1832 was the first important step in this direction, but even after the passage of this act the southern counties continued to enjoy a favored position in the national legislature. The Reform Acts of 1867 and 1884 were both important measures in effecting a more equitable distribution in representation. The representation of the countries south of the Trent, which had been fixed at two hundred and ninety-eight in 1834, was reduced to two hundred and twenty-eight. The northern counties, on the other hand, increased their quota from one hundred and thirty-six to one hundred and seventy; while London, which had always been unfairly treated, found its representation increased from twenty-two to sixty-two.

If such, then, is the influence of city growth upon political thought and action, it is evident that with the gradual transition from rural to urban conditions, profound changes, both in the constitution and in the activity of government, are inevitable. Until our habits of thought and standards of conduct have become adjusted to city conditions, we may expect to find an element of instability in our political life directly traceable to the undermining of accepted traditions and ideas. Every step towards such adjustment finds ultimate expression in the attitude of the population towards government. At present we seem to be entering upon a movement of opinion towards municipal socialism. The evils resulting from unregulated competition are receiving a prominence which threatens to carry us—in our city governments at least—into a period of municipal activity which may

prove a real menace to individual initiative and enterprise. This danger is unavoidable; in fact, it is one of the results incidental to progress. It must be met if we are to bring our city civilization to its full fruition. A new equilibrium between governmental activity and individual freedom must be established.

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RAILWAY PROGRESS AND AGRICULTURAL DEVELOPMENT.

THE earliest settlements in the continental territory now occupied by the United States were naturally along the bays and inlets of the Atlantic coast and in regions adjacent to the navigable rivers which drain the eastern slopes of the Appalachian ranges. Each of the thirteen colonies, which afterwards became the United States, had one or more seaports, and what little internal commerce existed was nearly all conducted by means of rivers reaching these ports. There was, of course, some foreign trade, consisting of the exchange of raw materials for manufactured products, but intercolonial exchanges were few and limited, the early coastwise traffic being of but little importance. As the seaports grew in population and wealth, and their requirements in the way of food products increased, the fertility of the interior portions of the country proved attractive to many sturdy pioneers, who pushed the agricultural frontier rapidly westward and established industrious rural communities in regions where they trod upon the heels of the departing Indian and the American huntsman. The meagreness of transportation facilities and the difficulties, dangers, and excessive cost of marketing products seriously hampered this movement and caused public attention to be directed toward the urgent necessity of establishing better means of communication. General Washington was one of the first to appreciate the importance of means for internal commerce, and there are no records of his many-sided activities that afford more ample evidence of his great wisdom than those which express his interest in the development of transportation agencies. The records show that the subject of establishing a connection, by canal, between the Potomac and Ohio rivers attracted his favorable notice as early as 1754; in 1783, while stationed at Newburgh, he made an extended tour in order to study the practicability of connecting, in a similar manner, the waters of the Great Lakes and the Hudson river; and a little later, accepting the presidency of the canal company chartered by the States of Virginia and Maryland, he presented to the

Governor of Virginia a report that is one of the ablest and most sagacious papers which he ever prepared. In this communication he said: "I need not remark to you, Sir, that the flanks and rear of the United States are possessed by other powers, and formidable ones too; nor how necessary it is to apply the cement of interest to bind all parts of the Union together by indissoluble bonds, especially that part of it which lies immediately west of us, with the Middle States. For what ties, let me ask, should we have upon these people? How unconnected with them shall we be, and what troubles may we not apprehend, if the Spaniards on their right and Great Britain on their left, instead of throwing stumbling-blocks in their way, as they now do, should hold out lures for their trade and alliance? What, when they gain strength (which will be sooner than most people conceive, from the emigration of foreigners, who will have no particular predilection towards us, as well as from the removal of our own citizens), will be the consequence of their having formed close connections with both or either of those powers in a commercial way? It needs not, in my opinion, the gift of prophecy to foretell. The western settlers (I speak now from my own observation) stand as it were upon a pivot. The touch of a feather would turn them any way. They have looked down the Mississippi till the Spaniards, very impolitely I think for themselves, threw difficulties in their way; and they looked that way for no other reason, than because they could glide gently down the stream, without considering, perhaps, the difficulties of the voyage back again, and the time necessary to perform it in; and because they had no other means of coming to us but by long land transportations and unimproved roads. These causes have hitherto checked the industry of the present settlers; for, except the demand for provisions, occasioned by the increase of population, and a little flour, which the necessities of the Spaniards compel them to buy, they have no incitements to labor. But smooth the road and make easy the way for them, and then see what an influx of articles will be poured upon us, how amazingly our exports will be increased by them, and how amply we shall be compensated for any trouble and expense we may encounter to effect it."¹

¹ *The Writings of George Washington*, collected and edited by Worthington Chauncy Ford, Vol. x, pp. 407-8.

The mind of Washington turned naturally to canals, for there was, at that time, no more efficient means of transportation known. In fact until about 1825 the efforts to provide the transportation facilities so urgently required were confined to the construction of turnpikes and artificial waterways, and for a considerably longer period canal building absorbed a large share of these activities. The history of actual canal construction in the United States began with the Dismal Swamp Canal, commenced in 1787 and opened for business in 1794, and, though it cannot be said to have ended, unquestionably reached its culmination soon after the completion of the Erie Canal in 1825. The Census of 1880 showed that there had been 4,469 miles of canals constructed in the United States, nearly all prior to 1840, of which 1,954 miles had been abandoned. The total cost of these canals, including those abandoned, was found to have been approximately \$214,041,802.

The beginnings of real railway development, in America as elsewhere, date from the invention of the steam locomotive rather than from the original use of tracks of wood, stone, or iron, to diminish the difficulty of moving wheeled vehicles and to increase the efficiency of roadways. Antiquarians assert that a roadway, consisting of granite rails, connected Athens and Piræus during the time of the Athenian Republic, and railways of wood and iron were used in connection with the English collieries at the beginning of the seventeenth century. The advantage of such roads over turnpikes could not be fully realized until a motive power especially adapted to the former became available, and without such power there was little likelihood, or even possibility, of the development of extensive railway systems.

The possibility of constructing steam locomotives, and the probability of successfully using them on railways for long-distance transportation in America, was urged by Colonel John Stevens, of Hoboken, as early as 1810 and by Oliver Evans in 1812. George Stephenson, in England, constructed his first locomotive in 1815, and on September 27, 1825, the Stockton and Darlington, the first railway constructed in England, with the intention of using steam locomotives, was opened for traffic.

It is customary to refer to the so-called Quincy Railroad as the first American railway enterprise, but this is incorrect whether the word "railway" is used in the modern sense or otherwise. This road was actually merely a quarry road, operated by gravity and horse power; it was but four miles long, and was the sixth of its class constructed in the United States. There was originally no intention of using it for general railway purposes and it was never traversed by a locomotive until purchased by the Old Colony Railroad and rebuilt in 1872.

The opening of the Stockton and Darlington Railroad, and the successful trial of the Rocket, gave an impetus to American as well as English railway enterprises. The legislature of Maryland granted a charter to the Baltimore and Ohio Railroad in 1827; South Carolina incorporated the Charleston and Hamburg Railway in the same year; and in 1825 the Pennsylvania legislature authorized the construction of a line from Philadelphia, through Lancaster and Columbia, to York. From this time railway enterprises rapidly multiplied.

The first locomotive ever used in the United States or on this continent was tried on a short railway in the Schuylkill region, owned by the Delaware and Hudson Canal Company, and built for the purpose of carrying anthracite. The trial was only partially successful on account of the excessive weight (seven tons) of the engine, and the latter was abandoned, as were two others imported at the same time. The second locomotive used in the United States, and the first built within its borders, was constructed at the West Point Foundry Works in New York, and placed on the Charleston and Hamburg Railroad on November 2, 1830. This experiment was fairly successful and after 1830 there was little reason for doubting the ultimate success of locomotive traction in connection with railways.

The Baltimore and Ohio Railroad was opened from Baltimore to Ellicott's Mills on May 22, 1830, but for nearly a year thereafter was operated by horse power. The same road was extended to Harper's Ferry and its Washington branch constructed during 1833. The Charleston and Hamburg Railroad, begun in 1830, was opened for its entire length, one hundred and thirty-five miles, three years later. The Mohawk and Hudson and

several other short lines, which now constitute links in the great New York Central system, were constructed and opened during the same years.

From 1835 railway building proceeded with what, considering the state of industrial development at that time, may be called great rapidity. Boston and Albany were connected by railways in 1842, while during the same year, the last link in the chain of lines connecting Albany and Buffalo was completed and the Baltimore and Ohio Railroad was extended to Cumberland. Philadelphia and Baltimore were connected by rail in 1837. In 1851 a second line of railway, the Erie, was opened from the Hudson River to Lake Erie, and at its completion the New York Central was relieved from the burden, imposed in order to "protect" the property of the State, of paying the ordinary canal tolls, in addition to meeting its own cost of operation, on all traffic passing over its lines. The Hudson River Railroad, paralleling the river from New York to Albany, was also opened during 1851. The latter year may be considered as the first in which railways were able to participate on at all an adequate scale in the internal commerce of the country. It is possible to go somewhat further and to assert that in 1851 the railways had caught up with the industrial development and that from that year the common expression, that in the United States railway construction has preceded settlement and the consequent existence of industries and traffic, is practically correct. The Baltimore and Ohio Railroad was extended to Wheeling in 1853 and the Pennsylvania Railroad to Pittsburgh in 1854.

Several independent railways formed a line from the Ohio River to Lake Erie in 1848, a second line was completed in 1851, and a third in 1852. These lines, with the road from Toledo to Buffalo, the last portion of which was finished in 1853, practically opened the whole State of Ohio to railroad transportation.

Chicago was reached by rail in 1852, and in 1854 the Chicago and Rock Island Railroad was extended to the Mississippi River. As a result of these extensions much of the trade of the west bank of the Mississippi, and of that portion of Illinois which lies contiguous to the navigable part of the Illinois River, was diverted from New Orleans, which had been its only outlet. By 1856

there were two more lines built from Chicago to the Mississippi River, besides the Illinois Central Railroad, which was completed from Chicago to the junction of the Mississippi and Ohio in the same year. In 1859 the railway system of the country was carried to the Missouri River, by the completion of the Hannibal and St. Joseph Railroad; in 1866 the Galena and Chicago Railroad was extended to Council Bluffs; and three years later, on May 10, 1869, to be exact, the outline of the American railway system was completed by the opening of the Central Pacific Railway, which, with the Union Pacific Railroad, and the other lines named above, served to form a continuous railway line from the Atlantic to the Pacific. From 1869 railway construction has consisted of the filling in of the outline thus broadly sketched. This has been done by building numerous cross lines, which may be regarded as "feeders" to the principal lines and many new trunk lines parallel to those previously built. Most of the latter have become necessary and now perform valuable transportation services which could not be performed by other and previously existing lines, but some of them were unnecessary when built and still remain a burden upon industry and commerce.

The following statement shows the number of miles of railway in the United States, at the close of each decade, beginning with 1830; the per cent. of increase during each decade, and the number of miles of railway per hundred square miles of land area and per 10,000 of population, at the close of each period. Similar data are also given for 1898, the latest year for which the statistics are complete.

	Miles of line.	Per cent. of increase.	—Miles of line per— 100 square miles of area.		10,000 of population.
1830.....	39.80	.....	.....	.....	0.03
1840.....	2,755.18	6,822.56	0.13	1.61	
1850.....	8,571.48	211.10	0.29	3.71	
1860.....	28,919.79	237.40	0.97	9.20	
1870.....	49,168.33	70.02	1.66	12.75	
1880.....	87,724.08	78.42	2.95	17.49	
1890.....	163,562.12	86.45	5.51	26.12	
1898.....	186,396.32	13.96 ¹	6.28	25.61 ²	

¹ Increase in eight years.

² On the basis of 72,801,571 population, in 1898, adopted by the Statistician to the Interstate Commerce Commission.

The geographical distribution of railway mileage, at successive periods, throws light upon various stages of industrial development. In 1840, 88.92 per cent. of the total railway mileage of the United States was in the States bordering on the Atlantic Ocean, north of the Savannah River, and in Pennsylvania and Vermont; by 1850 this percentage had decreased to 73.23; by 1860, to 42.49; by 1870, to 35.21; by 1880, to 28.27; by 1890, to 21.10; and in 1898 it was 21.49. In 1840 the States of Ohio and Indiana, the lower peninsula of Michigan, and those portions of New York and Pennsylvania which lie west of Buffalo and Pittsburgh had but 197.76 miles of railway or 7.18 per cent. of the total then in the country; in 1850 this region contained 11.88 per cent. of the total; in 1860, 20.52 per cent.; in 1870, 16.92 per cent.; in 1880, 16.31 per cent.; in 1890, 13.27 per cent.; and in 1898, 12.39 per cent. The relative decrease shown after 1860 is due to the rapid increase in mileage in the region west of the Great Lakes and the Mississippi River. The region that includes the States of Georgia, Florida, Alabama, Mississippi, Tennessee and Kentucky had 86.75 miles of railway in 1840, being 3.15 per cent. of the total mileage of the United States at that time. Ten years later this region contained 13.11 per cent. of the total; in 1860, 18.18 per cent.; in 1870, 15.45 per cent.; in 1880, 9.77 per cent.; in 1890, 11.39 per cent.; and in 1898, 11.74 per cent. The relative decrease in the twenty years after 1860 is explained partly by the rapid development of the region west of the Mississippi River, during those decades, and partly by the exhaustion following the Civil War. The comparative acceleration of construction after 1880 is attributable to the development of the mineral resources of the States in this region. Passing westward to the region between the Great Lakes, the Illinois-Indiana State line, the Missouri River, and the Canadian frontier, it is found that this region contained no railways in 1840 and but one hundred and seven miles of line, or 1.25 per cent. of the total, in 1850. By 1860 the percentage had risen to 15.15; by 1870, to 19.74; by 1880, to 25.62. The exceedingly rapid construction in the region still farther west, during the ten years ending in 1890, resulted in a decrease to 22.90 per cent., though the railways in the region were increased

by nearly 15,000 miles of new line. In 1898 the percentage for this region was 22.17. In 1840 the entire territory west of the Mississippi and Missouri had but 20.75 miles of railway, which were located in the State of Louisiana, and in the next decade this was little more than doubled by the construction of a second line in the same State, which made the aggregate in 1850, 46.48 miles, or but little more than one-half of one per cent. of the mileage then existing in the country. Even as late as 1860 this region had but 3.67 per cent. of the railway mileage of the United States. In 1870 the percentage was 12.68; in 1880, 20.03; in 1890, 31.33; and in 1898, 32.21. The latter region includes 62.71 per cent. of the total area of the United States, and in 1890 it contained 18.58 per cent. of the total population.

The early railways were so far inferior to those now in existence that comparisons are scarcely practicable. The ordinary superstructure at first adopted was a longitudinal wooden sill upon which was laid a strap or rail of iron, the purpose of the latter being to prevent abrasion of the wood rather than to bear the weight of the train. The change from wood to iron, as the principal portion of the track, was very gradual, and it was not until about 1850 that the longitudinal sill and flat rail was superseded even on the Utica and Schenectady Railroad, one of the most important links in the New York Central system. Following the change from wood to iron came the substitution of steel for iron. The manufacture of steel rails, in commercial quantities, began in the United States in the year 1867, but they were used by railways experimentally only until several years later. The following table shows the number of miles of track, including sidings, yard track, second track, etc., the mileage of steel track and the proportion of the latter to the former, in various years, beginning with 1880:

Year.	Miles of track.	Track composed of steel rails.	
		Miles.	Per cent. of total.
1880	115,647	33,680	29.12
1885	160,597	98,102	61.09
1890	208,303	167,606	80.46
1895	235,198	206,546	87.82
1898	245,239	220,804	90.04

The same period which has witnessed the general adoption of steel rails has been characterized also by a gradual increase in the weight of the rails used. Starting with steel rails, weighing from fifty to sixty pounds per yard, the movement has gone on by successive steps until at the present time long sections of track weighing one hundred pounds per yard are by no means uncommon. During the same period there has been a general straightening of track wherever practicable, a lengthening of the radii of curves, where the latter are unavoidable, and a grading down of the steeper inclines. With the improvement of track there has also been a steady development of the train as a machine for moving traffic. Locomotives have been greatly increased in weight and power, and are thus able to draw longer trains composed of larger cars. The ten, twelve, and fifteen ton freight cars, that were, themselves, far more capacious than those which they superseded, have disappeared or remain as interesting relics of transportation methods that are fast disappearing. The minimum capacity of a modern freight car is about thirty tons, cars of forty tons capacity are much more common, and orders for those able to carry 100,000 pounds of paying freight are frequent. The substitution of steel for wood, as the principal material for freight cars, which is now commencing, promises rapidly to increase the average efficiency of freight equipment by decreasing the proportion of dead weight to be moved. Some consequences of these changes in the physical characteristics of railways and railway equipment are indicated by the following table:

EFFICIENCY OF TRAIN SERVICE.

Year.	Number of tons carried one mile per mile of road operated.	Number of miles run by freight trains per mile of road operated.	Number of tons carried one mile per mile of road operated, run by freight trains.
1870	268,694	3,368	81.72
1875	341,807	3,105	99.58
1880	465,732	3,405	134.83
1885	442,629	3,218	140.07
1890	487,245	2,865	175.12
1895	479,490	2,622	189.69
1898	617,810	2,787	226.45

The significant fact shown in the foregoing table, that the average number of miles run by freight trains per mile of road operated has actually decreased while the average number of tons carried one mile has more than doubled, is the consequence of the improvements in roadway and equipment, which have permitted the train load to be increased from 81.72 tons to 226.45 tons, or 177.10 per cent.

No incident of the development of railway transportation is more significant than the continuously progressive movement toward the coördination of the legally separate and independent corporate units that compose the railway system. Whenever any thought of such coördination occurred to those who constructed railways during the first half of the period of American railway development, they appear deliberately to have tried to make it impracticable. One of the devices most frequently resorted to was to make necessary the interruption of the process of transportation, and the transfer of traffic from car to car, and giving employment, at unnecessary labor, to local residents, by constructing connecting lines with different gauges. At least four gauges were formerly in use on roads of considerable length, but these have all been practically superseded by the standard gauge, which varies from four feet eight and one-half inches to four feet nine inches. A few short and unimportant roads still retain the narrow, or three feet gauge, but the six feet or broad gauge, and the five feet gauge, which formerly prevailed throughout all the cotton States, have entirely disappeared.

Through passenger car lines, tickets for the transportation of passengers over two or more lines, through way-bills for freight, and the interchange of freight cars are all important steps in the process of coördination. This process has been materially advanced by numerous associations, for conference and discussion, formed by the officers in charge of special phases of railroad work. These associations are now very numerous and it would be difficult to overestimate the value of their services in increasing the efficiency of the facilities that are operated under the direction of those who compose them.

There has also been a very definite contribution to railway efficiency through the unification of the operating machinery of short connecting lines, and the formation of much more extensive systems than were contemplated by early railway builders. This welding of formerly independent lines has been accomplished by the lease of the property of one corporation by another; by the purchase of controlling interests in separate corporations, by the same individual or by a compact group of individuals; and, in other instances, perhaps more numerous than either, by the actual merger of two or more corporations.

The New York Central and Hudson River Railroad, the Pennsylvania system, and the Atchison, Topeka and Sante Fé Railroad, are prominent examples of the results of this welding process. The main line of the first named road was constructed, and for a time operated, by eleven companies, ten of which, forming the line from Albany to Buffalo, were consolidated as the New York Central Railroad in 1853; the line from New York to Albany, which had been independently operated for eighteen years, being added in 1869. The New York and Harlem Railroad, a parallel line for part of the distance, was added in 1873.

The following table shows the progress of this form of unification as far as it can be traced statistically, but does not include those practical consolidations which have not affected the operating organizations. The data for 1892, 1896, and 1898 are from the reports of the Statistician to the Interstate Commerce Commission, and are substantially complete. Those for 1867 represent 46.61 per cent.; for 1872, 68.40 per cent.; for 1877, 87.32 per cent.; for 1882, 89.94 per cent.; and for 1887, 87.81 per cent. of the entire railway mileage in operation. It is probable that the inclusion of all roads, had it been practicable, would have increased the proportions in the classes embracing the shorter lines. In other words, the table does not show the full relative increase of mileage operated by the more important corporations.

The changes which have increased the efficiency of railway facilities have been, in some degree at least, expressed in the form of reductions in the charges for the use of those facilities. An elaborate investigation of the rates of charge for railway and other transportation services was recently conducted under the

UNIFICATION OF THE RAILWAY SYSTEM.

ITEMS.	Mileage over 1,000	Mileage from 600 to 1,000.	Mileage from 400 to 600.	Mileage from 250 to 400.	Mileage under 250.	Total.
1867.						
Number of roads.....	1	3	7	11	72	94
Aggregate mileage in class...	1,152	2,252	3,440	3,189	7,183	17,216
Per cent. of total mileage....	6.69	13.08	19.98	18.52	41.73	100.00
1872.						
Number of roads.....	6	12	7	21	226	272
Aggregate mileage in class...	6,910	9,050	3,523	6,331	17,460	43,274
Per cent. of total mileage	15.97	20.91	8.14	14.63	40.35	100.00
1877.						
Number of roads.....	II	12	17	34	362	436
Aggregate mileage in class...	13,648	8,807	8,154	10,700	26,388	67,697
Per cent. of total mileage	20.16	13.01	12.04	15.81	38.98	100.00
1882.						
Number of roads.....	19	14	20	48	400	501
Aggregate mileage in class...	35,950	11,179	9,807	15,720	24,814	97,470
Per cent. of total mileage....	36.88	11.47	10.06	16.13	25.46	100.00
1887.						
Number of roads.....	28	19	27	53	434	561
Aggregate mileage in class...	55,447	14,671	13,860	16,694	26,373	127,045
Per cent. of total mileage....	43.64	11.55	10.91	13.14	20.76	100.00
1892.						
Number of roads.....	43	24	24	40	871	1002
Aggregate mileage in class...	99,232	18,052	12,307	12,796	29,115	171,502
Per cent. of total mileage	57.86	10.53	7.17	7.46	16.98	100.00
1897.						
Number of roads.....	44	24	25	42	1023	1158
Aggregate mileage in class...	103,566	18,887	12,507	13,558	35,284	183,802
Per cent. of total mileage....	56.34	10.27	6.81	7.38	19.20	100.00
1898.						
Number of roads.....	44	25	24	44	1055	1192
Aggregate mileage in class...	105,371	19,423	11,925	13,856	35,727	186,302
Per cent. of total mileage....	56.56	10.42	6.40	7.44	19.18	100.00

direction of the Statistician to the Department of Agriculture, and the results obtained were published in pamphlet form during 1898.¹

The data relating to changes in rates, given in this article, are mainly from the report referred to, though the tables used have been brought down to date from the most reliable sources available.

¹ Bulletin No. 15, *Miscellaneous Series*, Division of Statistics, United States Department of Agriculture.

The average rates per passenger, and per ton of freight, per mile, on all of the roads of the United States for which the necessary data could be secured, stated in gold, were, during the years named, as follows:

Year.	Rates in cents per mile per—	
	Passenger.	Ton of freight.
1870	2.392	1.889
1875	2.378	1.421
1880	2.442	1.232
1885	2.216	1.011
1890	2.167	.941
1895	2.040	.839
1898	1.973	.753

The foregoing apparently shows that the average passenger rate advanced slightly from 1870 to 1880, and that during the next eighteen years there was a decline amounting to 19.21 per cent. of the average for 1880; the net decline from 1870 to 1898 being 4.19 mills per passenger mile or 17.52 per cent. Compared with this, the decline in the average rate per mile, per ton of freight, appears especially noteworthy. The latter rate declined 60.14 per cent. during the years from 1870 to 1898, the rate for the earlier year being two and one-half times that of the later, and the net saving to the shippers averaging 1.136 cents per ton-mile. Without in any way limiting or qualifying this statement of the extensive and rapid decline in freight charges, it is necessary, in order that this phase of railway development may be perfectly understood, to establish the fact that the foregoing comparison is scarcely fair to the passenger service. A quotation from the report in which the figures were published will explain the manner in which substantial similarity, among the things compared, has been lost in connection with passenger service, though it has been practically continuous in freight service. This difference fixes a limit to the value of the statistical method as applied to passenger rates. On this subject the report says: "The accommodations offered to the traveling public during the years prior to 1870 were greatly inferior to those provided at the present time, and the last three decades have been characterized by an improvement that has been continuous and progressive. The time required for passage between important

cities is now but half, or less than half, that formerly consumed, and the safety of passengers has been correspondingly increased. Though it may appear . . . that the decrease in the charges for the transportation of passengers has not been as great as that in the charges for freight service, it should be borne in mind that the thing which the traveller purchases with the money paid as fare has varied in his favor in every important element except that of distance. The dollar with which a man purchases transportation in a train moving at a modern rate of speed, provided with air brakes and automatic couplers, with coaches of modern construction, over a track composed of Bessemer steel rails weighing one hundred pounds to the yard, on a line provided with block signalling apparatus, purchases vastly more than a dollar paid for transportation under the conditions which existed but one or two decades ago."

Nevertheless if comparisons are made between the rates charged for particular services, at widely separated dates, many very important reductions will be found. For example, in 1848, it cost \$4.00 to go by rail from New York to Philadelphia, and five hours were required for the journey. At present the rate is \$2.50, and the faster trains make the trip in two hours.

The following table shows many similar changes:

From	To	Distance in miles.	Time required.		Rate.	
			1848.	1898.	1848.	1898.
Boston, Mass.	Albany, N. Y.....	202	Hrs. 10	5 45	\$5.00	\$4.50
	Fitchburg, Mass.	50	2 30	1 21	1.25	1.25
	Portland, Me.	115	5 30	3	3.00	2.50
	Providence, R. I.	49	2	56	1.25	1.00
Philadelphia, Pa.	Harrisburg, Pa.	105		2 35	4.00	3.15
	Baltimore, Md.	96	6	2	3.00	2.80
	Havre de Grace, Md..	60		1 28	2.25	1.77
Baltimore, Md.	Annapolis, Md.....	26		1	1.60	1.00
	Washington, D. C....	40		45	2.00	1.20
	Frederick, Md.	62		2 20	2.50	1.75
	Cumberland, Md....	192		5 08	6.50	5.25

But it is in freight rates that the reduction has been greatest, and that any reduction is most important. Data regarding the reduction in the average rates, per ton of freight per mile, have already been given. The following statement shows similar data for a few selected railways:

AVERAGE RATES PER TON PER MILE IN CENTS.

Year.	Fitchburg R. R.	Erie R. R.	Lake Shore & Michigan Southern Railway.	Illinois Central R. R.	Chicago & Northwestern Rail- way.	Southern Railway.	Union Pacific R. R.
1843	3.865						
1853	2.765	2.497					
1858	3.784	2.317	2.380				
1863 ¹	2.318	1.486	1.633	1.389			
1868 ¹	2.905	1.287	1.661	1.751	2.579		
1873 ²	3.289	1.268	1.164	1.916	2.050	4.211	2.153
1878 ¹	1.582	.960	.724	1.616	1.584	2.830	2.236
1883	1.190	.786	.728	1.433	1.427	2.06	1.913
1888	1.116	.716	.673	1.069	.983	1.710	1.770
1893	.923	.631	.599	.845	1.028	1.211	1.033
1898	.824	.575	.530	.695	.894	.931	.956 ²

The averages for the roads shown illustrate very fairly the extent of the downward tendency of railway charges in the various sections in which they are located, and the table thus presents a view of the downward movement throughout the entire country. Without going back of 1883 (that year being made a basis of comparison, to avoid any complication due to the difference between values expressed in gold and in currency), it is important to note that the reductions of the last fifteen years have equalled 30.76 per cent. of the rate of 1883 for the Fitchburg Railroad; 26.84 per cent. for the Erie Railroad; 27.20 per cent. for the Lake Shore and Michigan Southern Railway; 51.50 per cent. for the Illinois Central Railroad; 37.35 per cent. for the Chicago and Northwestern Railway; 54.81 per cent. for the Southern Railway; and 50.03 per cent. for the Union Pacific Railway. The aggregate revenue of these roads, from freight service, was, in 1898, \$114,152,720. At the rates obtained in 1883, the traffic carried by them in 1898 would have produced \$195,460,806, and the total saving to the patrons of these roads, on account of reductions made within fifteen years, was, therefore, \$81,308,086. From 1883 to 1898 the average rate per ton, per mile, for the entire United States, declined from 1.205 cents to 753 cent. The saving to shippers of freight in the single year 1898, by this reduction, estimated upon the basis of the total

¹ Rates for these years reduced to their equivalents in gold.² Average for five months ended June 30, 1898; average for previous seven months, .950 cent.

freight movement of that year, was \$515,630,645. The entire revenue from freight in 1898, for all the railways of the country, was \$876,727,719. This saving may also be profitably compared with the total amount paid in dividends and interest on railway securities, during 1898, which was \$342,279,580.

An examination of the charges for specific services in the transportation of property will usually show similar results.

Rates on eastward-bound shipments from Chicago to New York are the basis upon which all rates, applied to traffic originating west of a line from Toronto to Huntington, West Virginia, and destined to points on or near the Atlantic seaboard, are calculated. Thus any changes in the Chicago to New York rate correspondingly affect all charges in the territory indicated. Remembering this fact and recalling the vast grain traffic originating west of that line, it is clear that no single rate can be of more importance than that charged for moving grain from Chicago to New York.

The following table shows average yearly rates on wheat and corn between those points via the all-rail routes:

AVERAGE RATES¹ IN CENTS PER BUSHEL.

Year.	Wheat.	Corn.
1858.....	38.61	36.19
1863.....	33.88	31.63
1868.....	27.09	25.28
1873.....	27.26	25.42
1878.....	17.56	16.39
1883.....	16.20	15.12
1888.....	14.50	13.54
1893.....	14.63	13.65
1898.....	12.00	9.80

Instances of reductions could be multiplied almost indefinitely. The rate on canned goods, when shipped in carload quantities, from San Francisco to New York was \$4.20 per hundred pounds in 1880; \$1.00 in 1890; and 75 cents in 1897. The rate on raisins between the same points was \$4.20 per hundred pounds in 1880; \$2.95 in 1890; and \$1.00 in 1897. The rate per hundred pounds on grain shipped in carload quantities, from St. Paul to Chicago, was 20 cents in 1883 and 12.5 cents in 1897.

¹ Rates for 1863 to 1878 inclusive reduced to equivalents in gold; other years as reported by the Chicago Board of Trade.

A very great augmentation of the use of railway facilities has been one of the consequences of the reductions noted. In 1880 the aggregate freight transportation, performed by the railways of the United States, was equivalent to moving 32,348,846,693 tons one mile, or six hundred and fifty-five tons for each man, woman and child among the total population at that time. The freight transportation of 1890 aggregated 76,207,047,298 ton-miles, or 1213 ton-miles per capita, and that of 1898, 114,077,576,305 ton-miles, or 1567 ton-miles (on the basis of a population of 72,801,571, adopted by the Statistician to the Interstate Commerce Commission) per capita. The movement of passengers, by railway, during 1880 was equivalent to carrying 5,740,112,502 persons one mile, and that of 1898 to moving 13,379,930,004 persons one mile. The number moved one mile, per capita of population, was one hundred and fourteen in 1880, one hundred and eighty-nine in 1890, and one hundred and eighty-four¹ in 1898. The decrease during the period subsequent to 1890 was probably due to the rapid development of suburban electric railways and the consequent diversion of local traffic away from the steam railways.

The reduction in charges has also had its effect upon railway earnings and the payments upon railway capital, though economies in operating methods and the superior efficiency of the improved facilities now required have borne an important share in enabling the railway to supply transportation at constantly decreasing rates. The averages in the following table were computed from data published in the reports of the Bureau of Statistics of the United States Treasury Department.

EARNINGS, INTEREST AND DIVIDENDS.

Year.	Average per mile of line.				
	Gross earnings.	Net earnings.	Interest on funded debt	Dividends on stocks.	Total interest and dividends
1880	\$7,471	\$3,111	\$1,171	\$939	\$2,110
1885	6,208	2,162	1,457	617	2,074
1890	6,829	2,163	1,374	529	1,903
1895	6,097	1,804	1,380	454	1,834
1898	6,771	2,111	1,285	514	1,799

¹ Based on the estimate of population previously used. While inexact, there can be no doubt that this figure is sufficiently accurate to show the general tendency.

The facts shown in the foregoing table are exceedingly important. The column headed "gross earnings" shows that the average gross receipts per mile of line have greatly decreased since 1880, and that the enormous increase during that period, of more than 250 per cent. in freight movement and 130 per cent. in passenger movement, was more than offset by reductions in charges. The column headed "net earnings" shows that there has been an even greater decline in net than in gross receipts, thus affording conclusive evidence that the decline in the latter has not been accompanied by a corresponding decrease in the cost of furnishing transportation, or, in other words, that the reductions in railway rates have diminished the total revenue from railway operations by a greater amount than has been saved by economies in operation, due to more efficient organization and methods and the growth of business. It is obvious that these facts must have had their effect upon the returns to the owners of railway securities, and the last three columns of the table afford a measure of those consequences. The average amount of interest paid on funded debt, per mile of line, was greater in 1898 than in 1880, but was less than in 1885, 1890 or 1895. The decrease in railway dividends has been even more notable. The average payment, per mile of line, for this purpose, was \$939 in 1880, and but 54.74 per cent. of that amount in 1898; the amount for the latter year being lower than that for any other year shown except 1895, when the effects of the panic of 1893 are evident. The averages for interest and dividends are slightly affected by the transformation in the form of railway securities that has taken place since 1880. The percentage of the total par value of such securities now represented by interest-bearing bonds is somewhat larger than in 1880, and this change has tended to increase average interest payments and to decrease average payments for dividends, per mile, but it has by no means accounted for the entire change in these payments, as will be found by examining the last column, which shows their total. The latter has decreased from \$2,110 to \$1,799, or 14.74 per cent. since 1880.

No one can examine the history of railway development, even as it is here sketched in imperfect outline, without becoming

convinced that its consequences must be profoundly impressed upon the industrial life and organization of the nation. In fact there is no other factor in the industrial progress of the United States that is more plainly expressed in its present economic condition. The most significant phases of this condition are, specialization of productive functions, and localization of particular branches of industry. A form of geographical division of labor has been accomplished, in which each region is assigned that particular share in the production of the commodities required for the satisfaction of human wants to which its natural characteristics of soil, climate, and location, render it best adapted. The local communities of the United States are not economically independent, but the industry of their citizens is rendered more effective, the rewards of their labor are more generous, and their toil is less burdensome, because of the existence of means for the interchange of surplus products.

The consequences of railway development are more apparent in connection with agricultural industry than with any other productive occupation which has attracted the energies of the American people. Without railways, and in the absence of mechanical knowledge beyond that now enjoyed, agriculture would have been confined to the limited areas adjacent to the natural waterways, and food for the great eastern centers of population must have been produced in the comparatively infertile districts that lie close to the rivers that drain the Northern Atlantic States. Artificial waterways could never have opened the immense and fertile regions of the great Northwest, and brought the farms of the Dakotas, as railways have brought them, nearer to the Atlantic coast, in time and cost of transportation, than were those of western New York in 1820. The mere enumeration of the great surplus agricultural products of the United States suggests, at once, the dependence of this industry, as now conducted, upon railway transportation. Wheat, corn, live stock, cotton, even small fruits and garden vegetables, are now most largely cultivated in regions far distant from the consumers, for whose use they are provided, and these regions are frequently connected with the localities which contain the latter, by railways only.

In the preliminary report of the Eighth Census, there is an estimate of the tonnage of the various articles carried by rail during the year 1860, from which it appears that of 4,741,773 tons carried, the products of agriculture aggregated 2,142,378 tons, or 45.18 per cent. The same estimate placed the total value of the commodities shipped by rail during 1860 at \$773,089,275 and that of the products of agriculture included at \$236,433,855, or 30.58 per cent. of the former amount. In 1880, 290,897,395 tons of freight were carried by rail, including 71,325,360 tons of agricultural products; the percentage of the latter to the total tonnage being 24.52. The number of tons carried by rail in 1890 was 640,452,548, of which 82,446,395 were reported as miscellaneous commodities, and as commodities not distributed among the several classes. Of the 558,006,153 tons that were classified, 112,964,685 tons, or 20.24 per cent. consisted of agricultural products. That the large absolute increase in tonnage has been accompanied by a considerable decrease relatively to the total tonnage, is a result of the rapid growth and increased localization of the industries which are not agricultural. The data given are not as satisfactory as statistics showing the movement of the various classes of traffic in ton-miles would be, nor do they afford as complete an idea of the relative importance of railway transportation as a part of the productive process in connection with food products. Ton-mile statistics are, however, unfortunately unavailable.

The following table shows data, for the year 1890, similar to those quoted above but classified also by geographical groups:¹

¹ The groups used are those adopted by Professor Henry C. Adams, Statistician to the Interstate Commerce Commission, and also used by him in his report on Land Transportation in the Eleventh Census. These groups are described in the latter report as follows:

- " Group I. Me., N. H., Vt., Mass., R. I., and Conn.
- " II. Part of N. Y., N. J., part of Pa., Del., Md., and part of W. Va.
- " III. Part of N. Y., part of Pa., O., Ind., and part of Mich.
- " IV. Va., part of W. Va., N. C., and S. C.
- " V. Ky., Tenn., Miss., Ala., Ga., and Fla.
- VI. Ill., Wis., part of Mich., Minn., Iowa, part of No. Dak., part of So. Dak., and part of Mo.
- VII. Part of No. Dak., part of So. Dak., and Nebr., part of Col., Wyo., and Mont.

Groups.	Total tonnage.	Unclassified tonnage.	Products of agriculture. ¹	
			Tons.	Per cent. of classified tonnage.
I	39,475,504	19,755,820	5,641,255	28.61
II	237,293,176	13,160,800	25,869,453	11.54
III	139,372,456	7,476,787	25,197,293	19.10
IV	19,215,102	1,869,776	3,222,762	18.58
V	44,382,018	12,930,944	8,154,900	25.93
VI	94,036,235	18,116,344	24,566,638	32.36
VII	13,625,381	4,702,029	3,538,145	39.65
VIII	31,587,663	2,707,619	10,521,504	36.43
IX	11,398,392	878,071	3,611,511	34.33
X	10,066,711	848,005	2,641,224	28.65

The following table, showing railway mileage; total value of farms; and value, per acre, of farm land, is introduced to show that railway development and agricultural values have usually moved forward simultaneously, if not with equal rapidity. Of the great agricultural States selected, Ohio, Indiana, and Illinois showed a decrease in the amount of land devoted to agricultural production, between the years 1880 and 1890.

States.	Miles of railway			Value of farms.			Value per acre.		
	1870.	1880.	1890.	1870. ²	1880.	1890.	1870. ³	1880.	1890.
Ohio ...	3,538	5,415	7,904	\$958,067,471	\$1,261,726,263	\$1,195,688,864	\$14.12	\$51.44	\$51.4
Mich. ...	1,638	3,713	7,235	368,525,480	574,242,665	647,918,255	36.78	41.59	43.0
Ind. ...	3,177	4,321	5,971	587,995,820	726,781,857	869,322,787	32.43	35.59	42.6
Ill. ...	4,823	7,562	10,071	881,755,492	1,175,772,293	1,477,759,187	34.07	37.12	48.4
Wis. ...	1,525	2,960	5,640	287,281,971	419,865,346	560,475,894	24.52	27.35	33.3
Minn. ...	1,092	2,990	5,380	99,511,096	238,718,864	414,701,626	15.38	17.81	22.2
No. and So. Dak.	56	699	4,475	2,400,502	31,254,449	245,815,335	7.94	8.22	12.9
Iowa ...	2,683	4,993	8,002	395,976,980	721,517,274	1,100,682,579	25.48	29.15	36.0
Nebr. ...	705	1,823	5,300	30,601,027	147,193,723	511,799,810	14.76	14.80	23.7
Mo. ...	2,000	3,709	5,887	393,287,906	489,421,663	786,390,253	18.12	17.56	25.8
Kan. ...	1,501	3,385	8,806	93,817,667	311,738,933	706,664,141	16.58	14.56	23.8
Total ...	22,738	41,570	75,271	\$4,098,821,412	\$6,098,333,259	\$8,517,238,731	\$29.44	\$39.46	\$33.0

Group VIII. Part of Mo., Kans., part of Col., part of New Mex., Okla., Indian Ter., and Arkansas.

" IX. La., part of Texas, and part of New Mexico.

" X. Part of New Mex., Ariz., Cal., Nevada, Utah, Idaho, Oregon, and Washington."

¹ Including animal products.

² Currency values, given in Eleventh Census, reduced to equivalents in gold, at the rate of \$1.00 in gold to \$1.253 in currency.

Little in the way of comment need be added to the facts shown in the foregoing statement. Every State named shows an increase, in the value per acre, of its agricultural lands between 1870, itself a year of inflated currency and for the time abnormally high values, and 1890, a year of moderate prosperity and normal business conditions. Every State but Ohio shows an increase between 1880 and 1890, and in the case of the exceptional State the decrease shown is so slight as to be well within the recognized possibility of error. The twelve States named had 256,586,994 acres of farm land in 1890, and the table shows that the average acre of farm land was worth \$3.75 more than in 1870. This increase, applied to the total acreage, shows an aggregate augmentation of value amounting to \$962,201,228, or \$18,316 for every mile of railway constructed in those States during the two decades. The increase from 1880 to 1890 was equal to \$28,399 for each mile of line constructed between those years. Of course it is not intimated that this upward movement in agricultural land values is wholly attributable to railway construction. It is clear, however, that both have moved forward together; they are linked by economic ties that are evident to all, and unquestionably the existence of adequate railway facilities is an essential preliminary to the profitable exploitation of even the best natural, inland, agricultural resources.

Differences between prices received by farmers for their products, and those paid by consumers for the same articles, express the sum of cost of transportation, plus all expenses of handling, and the interest and profits received by the middlemen. The general consequence of the development of transportation facilities has been in accordance with this generalization. As transportation has been progressively cheapened, the prices received by farmers, and those paid by consumers, have moved toward each other. This is wholly true with regard to the production and consumption of particular localities, and is also true of production and consumption in general, if the assertion is limited to the last twenty years. When railways were being most idly extended into previously unoccupied territory, and thus being available, for agricultural purposes, new and especially idle land, the first tendency was to reduce the average cost of

each form of agricultural production while increasing the distance separating producing from consuming regions. As the reduction in cost of transportation, per mile, was not, at first, commensurate with the increase in distance, there was a temporary increase in the absolute cost of transportation for some staple products, accompanied by a corresponding reduction in the farm price. As this stage of progress was marked by a rapid movement of population toward the regions thus opened to agriculture, it is reasonably clear that it could not have been accompanied by a lower rate of profit in the agricultural industry. This stage was, however, one of transition and could not long persist. The transportation rate was steadily declining, and as the distance could not continually increase, the former movement quickly and completely offset the latter, and before very long there was a substantial balance accruing to the producers of farm products.

Unfortunately statistics of farm prices are meagre and unsatisfactory, and comparisons are scarcely practicable. The United States Department of Agriculture annually collects the prices prevailing in local markets, on the first day of December, and from these data establishes averages which unquestionably represent very accurately the true values of agricultural products on the particular date of each investigation. The Department does not, however, claim that they show the fluctuations of the different seasons or represent the real values of the successive crops. Comparisons between the farm prices, thus obtained, and the annual average export prices, compiled by the United States Treasury Department, throw some light upon the changed relation between farm and export values. The average farm price of corn, on December 1, 1877, was, expressed in gold, 34 cents per bushel, and the average price of corn exported during the fiscal year ended June 30, 1878, was 56 cents per bushel. The farm price on December 1, 1897, was 26 cents and the corresponding export price was 36 cents. The difference was, therefore, 22 cents per bushel in 1878, and but 10 cents two decades later. The average farm prices of wheat on December 1, 1877 and 1897 were \$1.03 and 81 cents respectively, and the corresponding annual averages of export prices were \$1.33 and 98

cents; the difference declining from 30 to 17 cents per bushel. It would be as absurd to assert that these data throw no light upon the relative situation of farmers and consumers, as to attempt to underrate the essential limitations in their application and the very evident margin of error.

That a close economic relation exists between the agricultural and the transportation industries, as they are conducted in the United States, is established by the foregoing outline, and is otherwise fully evident to anyone who cares to study either of these great industries. Nor is it very difficult to realize the character of this economic connection, whether the subject is approached from the point of view of the agriculturist or that of those engaged in furnishing transportation. Clearly to apprehend this relation it is necessary, however, to perceive that neither utility nor value attaches to any commodity except as that article is available for the satisfaction of human desires. To quote Jevons:¹ "It is only then, when supplied in moderate quantities, and at the right time, that a thing can be said to be useful. Utility is not a quality *intrinsic* in a substance, for, if it were, additional quantities of the same substance would always be desired, however much we previously possessed. We must not confuse the usefulness of a thing with the physical qualities upon which the usefulness depends."

One more condition than is enumerated in the first sentence of the foregoing, though no doubt taken for granted, is a prerequisite of utility. A thing must not only be supplied in reasonable quantity, and at the right time, but at the right place as well, before it can be useful. It was by no means uncommon, a century or two ago, for the inhabitants of one region to suffer the pangs of unsatisfied hunger, while not far away the productions of abundant harvests were wasting and yet unavailable to the famine-stricken because transportation was impracticable or too costly. The surplus wheat of the great northwestern region of the United States, and nearly all of the cotton of the Gulf States, would be of no utility, and consequently of no value, if they could not be transported to other regions. Under modern conditions the railway is, in most cases, the only adequate means

¹*Money and the Mechanism of Exchange*, N. Y., D. Appleton & Co.—1896, p. 9.

of transportation. The existence of railways is then an essential condition of the agricultural industry, as now conducted in the United States. On the other hand, the railways are by no means independent of those who produce the commodities which they carry. Traffic is the substance upon which the railway system subsists and traffic cannot be furnished except by producers; to have abundant traffic producers must be numerous, prosperous and satisfied. But producers will not multiply, they will not enjoy prosperity, they will not be contented unless they receive what they regard as fair wages and a reasonable return upon their capital. Such returns from their industry imply fair prices in local markets, and the latter, for these are practically those paid by consumers, less the price of transportation, are dependent upon reasonable railway charges. Thus the development of the territory contiguous and tributary to a railway is dependent upon fair rates for the movement of the products of that territory to the ultimate markets. The progress of railway construction and the accompanying development of agriculture outlined in this paper, together constitute, in many respects, a monument to the enlightened perception of this fact, by those who have had the direction and supervision of the great industry of moving persons and property by means of the steam railways of the United States.

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EXPERIENCE OF THE DUTCH WITH TROPICAL LABOR.

II. ABOLITION OF THE CULTURE SYSTEM AND TRANSITION TO FREE LABOR.

IN the preceding number of this REVIEW the writer described the culture system as applied by the Dutch in Java during the early part of this century. The system was shown to have been introduced to meet the fiscal needs of the Dutch government and to have been maintained and extended solely for the sake of the profit that it returned. It was shown to contain faults, inseparable from its nature, that resulted in a weakening of the productive powers of the people, and a corruption of the political organization. The purpose of the present paper is to narrate events in Java and in the Netherlands that led to the reform of the culture system, and to describe the organization of labor that has replaced it, and under which production is now carried on.

The effect of the system on the individual native was discussed so fully in the preceding paper that it is proper to be brief in describing the catastrophes that marked its decline in Java. The culture services, borne in addition to land tax and *heerendiensten* (services due to the government for building roads, forts, etc.), proved to be a burden that was intolerable in those parts of the island that were not specially favored by nature. In the course of time a movement of population was set up from the districts in which the system had been introduced to government lands not subject to it and to the lands held by private individuals. Populous regions lost as much as one-half or two-thirds of their inhabitants through emigration. The residency of Japara lost in the first half of the year 1841 alone over 2,000 people, who were escaping from the burden of forced services. Some villages came to have no other inhabitants than the head men. Those who remained at home suffered from recurrent famines and pestilences, due to the diminished food supply. The natives were not left time or land enough to raise food, and were not given wages enough to buy it. That

the government might have the fields earlier for sugar cane, the cultivators were forced to plant the kinds of rice that matured earlier, but gave a smaller crop of poorer quality. Many were forced to subsist on wild roots and herbs—and to remedy matters the government proposed to make rice too a forced culture! In the famine of 1849-50 over a third of a million people died in central Java, in one of the richest parts of the earth, which now maintains a population that has doubled in numbers. It is remarkable that no armed revolts against the system ever occurred. From time to time the native in one place or another protested against the exactions of the government, but they had no ability to organize an opposition, and simply fared the worse for their show of resistance.

Of all these events practically nothing was known at the time in the Netherlands. No government industry was ever so free from the supervision of the general public, or so unchecked by the public criticism, that keeps governments in the right track, as was the culture system. The Minister of the Colonies was the only man in the Netherlands who knew the real state of affairs in the East, and he was responsible to the King alone, determining the colonial policy without thought of popular or parliamentary opposition. The slight control that the people exercised over colonial affairs can be appreciated from the fact that up to 1840 the Chambers had not even the right to determine the way in which the colonial surplus should be spent at home. The Minister of the Colonies received the reports of all officials and edited them before they were laid before the King or made known to the public; all unpleasant details were cut out that the ministerial policy might appear in the best light. Java was jealously closed to the individual traveler, it contained few Europeans who were not directly connected with public administration and subject to its discipline, and strict press regulations prevented the agitation of any questions that could embarrass the government. The reading public in the Netherlands saw little news that was not meant for them; news "pour l'Europe" was a stock phrase in the East for touched-up pictures that concealed the real condition of affairs.¹

¹ de Stoers, *De vestiging en uitbreiding der Nederlanders ter Westkust van Sumatra.* Amsterdam, 1850, 1: xxv, c: 2:77-78.

The one great fact known to the Dutch people and to their representatives in the States General was the net surplus that was turned into the treasury every year. Arguments against the system would have needed to be strongly urged and widely spread to meet this argument for it, and in fact there was practically no opposition to the culture system in the Netherlands before the revision of the Dutch constitution in 1848. The members of the liberal party did not before that time oppose the government's colonial policy; they opposed the political system that allowed the government to have a policy of any kind free from their knowledge and control. It was not until the fundamental question of government by the King or government by the people had been settled that the details of government could form the subject of parliamentary discussion.

The colonial question was of minor importance in the agitation that resulted in the constitutional changes of 1848, but the new constitution established the conditions essential to reform of the colonial system in providing that the colonies should be governed by the King and Chambers, not by the King alone, and by exacting annual reports to the States General on the state of the colonies. A new class of men entered the Second Chamber, liberals schooled in the doctrines of the classical political economy and opposed to monopoly and compulsion, in closer touch with the people and with broader sympathies than had been the case before. They could make their influence felt through the powers that the publicity of debates and the rights of initiative and amendment conferred upon them. A new voice was heard in the Second Chamber, that of Van Hoëvell, a man destined to play an important part in the reorganization of the Dutch policy in the East. He had been a preacher at Batavia, was well informed as to affairs in Java and founded a periodical to discuss them, the *Tijdschrift voor Nederlandsch Indië*, that became one of the great organs of the reform party. To gain greater freedom for himself and his publication he was forced in 1848 to return to the Netherlands. He was elected to the Second Chamber and disclosed to his fellow members a state of affairs in Java of which they had not dreamed before. His revelations led to a decided improvement in the administration

of the culture system. Its principles were still maintained, and were left untouched by the colonial constitution (*Regeeringsreglement*) of 1854, by which the legislature fixed the framework for the government of the eastern possessions. But the principles were henceforth applied with much more judgment and mercy, the more flagrant abuses were corrected. The opposition contented itself with a gradual development in the direction of free cultivation, with requiring an immediate abolition of the system of compulsion. For a decade after the establishment of the constitution of 1848 the Dutch were too busy with affairs at home, with questions of franchise and citizenship, of education and religion, of the reorganization of local and provincial government, to undertake a thorough revision of the colonial system.

The credit for bringing home to the mass of the people the need of a reform, and of making it, as it was, the political question of prime importance during a great part of the sixties, belongs in large measure to Edouard Douwes Dekker. His book, "Max Havelaar, or The Coffee Auctions of the Dutch Trading Company," published under the pseudonym of Multatuli, has often been compared to "Uncle Tom's Cabin" in the influence that it exercised. Dekker had served as assistant resident of Lebak, in Java, and had had full opportunity to observe the evils of the culture system. He had the temper of a man of letters rather than that of a politician, and he revolted against the whole system instead of trying to effect a reform in the details of its application. He made his official position untenable and then returned to the Netherlands to appeal to the people against the government. In the form of a story of which Max Havelaar, an official in Java, is the hero, he described his own experiences, exposing the faults of the colonial policy and the vices of the administration. The book is not free from errors of fact, for Dekker idealized the Javanese and condemned the Dutch without discrimination; it is fantastic in its composition and style, and partly merits Wallace's description, "a tedious and long-winded story." It certainly lacks the directness and force of "Uncle Tom's Cabin." But it was a power in its time. According to the translator of the English edition, "A few

months after the publication of Max Havelaar one of the most eminent members of the Dutch Parliament avowed that this book had struck the whole country with horror." It brought a new note into the colonial strife. Dekker took sides neither with the conservatives for forced labor nor with the liberals for free labor, he had but one refrain—the Javanese is given over to the oppression of his chiefs, and they abuse him in the name of the King.¹

The colonial question occupied the chief place in Dutch politics in the decade from 1860 to 1870. The struggle over it gave rise to bitter party feeling, tempted the King to an interference that put a dangerous strain upon the constitution, and was decided only after a number of ministerial crises. By the later date, however, the liberals had won the victory, and the culture system had practically been abolished in favor of cultivation by free laborers working under private planters.

The less important government cultures, those of tea, tobacco, indigo, pepper and cinnamon, were given up between 1860 and 1865. Some of these had been the source of actual loss to the government, none had been the source of any considerable profit, and even the conservatives were ready to agree that these cultures were not worth the keeping. The case was different with

¹ Pierson, *Koloniale politiek*, 332. The original was published in Amsterdam in 1860 under the title, *Max Havelaar, of de Koffijveilingen der Nederlandsche Handelsmaatschappij*, door Multatuli. The first edition was exhausted in a few weeks and a second was not published; Dekker had sold the copyright and the purchaser would not allow another edition because of the offence in many quarters that the first had given. (So it is stated in the article, "A Dutch Political Novel," in the *North British Review*, 1867, 46:323 ff. But the British Museum has a copy, catalogued as "tweede druk," published in 1860.) An English translation by Baron Alphonse Nahuijs was published at Edinburgh in 1868, and characteristic selections are printed in Warner's Library, 8:4513-20. A Dutch reviewer deprecated the tone and manner of the book, while recognizing its claim to attention—"it glitters a good deal, but there is gold in it." He thought that the romantic color of the story would hurt its influence with the serious-minded; instead of proving anything it would only raise questions, and people would not believe that the state of affairs *could* be so bad so pictured. The very merit of the book was that it did raise questions; it interested people, however ill it informed them, and by forcing the colonial question before the Chambers, it led in time to a better knowledge of conditions in Java and of the measures necessary to reform them. *De Economist*, 1860, Bijblad, 234 ff.

the remaining cultures, of sugar and of coffee, more important than all the others put together in respect to the land and labor occupied by them, and the profits that they returned.

The sugar culture was peculiar in that it had always given employment to a considerable number of Europeans, who carried on the processes of manufacture as contractors under the government. The organization of the industry under these Europeans promised to make the change from compulsory services to wage labor much easier, and to facilitate also the taxation on which the government must depend for its revenue when the industry was transferred to private enterprise. The contractors favored a change that would give them greater freedom and the chance at larger profits, and the interests of private capitalists were enlisted to influence the government in favor of freedom of industry. A law of 1870 provided for a gradual transition from forced to free culture; beginning in 1878, the amount of land and labor owned by the natives was diminished annually, and in 1890 the transition had been completely effected. Meanwhile the planters were bound to pay the natives wages considerably higher than those customary under the culture system, and to pay them for their land as well, and in addition to pay to the government a tax on the sugar produced, varying from 2 to 3 florins per pikol (one hundred and thirty-three pounds). The government lost slightly by the change, receiving according to Pierson's estimates 4,000,000 florins annually in place of over 5,000,000 that it had been making by the sale of sugar in the previous period. But the natives gained very decidedly, and the profits to the planters were sufficient to lead to a rapid extension of the culture outside the bounds that the government had formerly set for it. Between 1871 and 1884 fifty new sugar factories were built, and the production rose from 2,725,000 pikols to 6,495,000 pikols.¹

This period of progress in the sugar industry has been followed by one of depression, that has developed into a real crisis in recent years. It was said recently that of the one hundred and ninety sugar factories in Java, fifty often worked at a loss, and of the others only twenty were really profitable.² The United

¹ Borssevau, *Ned. Ind.*, De Gids, 1887, II, 341.

² Peelen, *Java's suikerindustrie*, De Economist, 1893, I, 399.

States consul reports that the sugar industry is "in a hopeless condition," that only one-tenth of the plantations are paying.¹ But there is no evidence to connect this decline with the change from government to private management. It is due to the ravages of the sereh, and to the fall in price caused by the increase of production throughout the world and by the European bounty system. On the other hand, it may be said that the free industry is bearing up against difficulties that would have absolutely crushed the government culture if it had been maintained, that would have crushed the natives engaged in the culture, for it was they who bore all losses. Under the culture system, without the spur of competition, machinery and processes were extremely crude. The American consul at Batavia wrote in 1862 that it was impossible to introduce improved agricultural implements in Java, because of the prejudices and lack of energy of the people there.² The free planters inherited traditional methods from their predecessors, but when the crisis came they were fit to meet it by the flexibility of a free organization. They introduced improvements in all branches of the industry, in machinery, in processes and in cultivation. The government has been obliged to give up the tax on sugar production or export, which, after being suspended for a number of years, was finally abolished in 1898. The wages of native cultivators have fallen to some extent. But the brunt of the blow has been borne by the individual planters, who have succeeded by energy and economy in reducing very considerably the costs of production.³

But one government culture remains to be considered, the most important of all in the past and the only one that is still maintained, the coffee culture. Under the old system coffee alone returned more than four-fifths of the total revenue that was obtained from the sale of products by the government; the large

¹U. S. *Commercial Relations*, 1896-97, 1: 1040. In 1898 (p. 1065) the consul reported that sugar was doing better, as a result of the Spanish-American war, and of the repeal of the export duty.

²U. S. *Commercial Relations*, 1862, 287.

³de Vries, De Gids, 1895, i, 283; De Economist, 1889, 187. The mean product, in pikols per bouw, has risen from 52.88 in 1881 to 91.86 in 1897. *Wcijfers, Koloniën*, 1897, 54.

profits were an index of the strength of the culture, and led to its being retained for fiscal reasons long after the other cultures had been abolished. In 1898 the government coffee culture was still imposed on 250,157 families, scattered through fourteen of the twenty residencies into which Java is divided. In the budget of 1900 the receipts of the government from the sale of coffee are estimated at 10,185,815 florins, out of total receipts estimated at 141,931,008 florins, and the specific expenditures on account of the coffee culture are put at 5,713,461 florins.

The cultivation of coffee differed from that of sugar in organization, in that no elaborate processes were necessary to prepare the crop for market, and the whole industry was carried on by natives. The lack of a class of Europeans, standing in established relations with the native cultivators, was an argument against abolishing the forced culture, for it was claimed that the natives would be left to themselves and would cease to produce for export at all. Individual planters were no longer, as formerly, discouraged from settling in the island; they were given opportunity to lease land and make contracts for labor with the natives, and the production of coffee on private account has increased until it amounts to more than that carried on under the government. But the government has resolutely upheld its own interest in the coffee culture, seeking by changes in detail to remedy the abuses of the old system and to increase its efficiency. The payment of percentages on production was abolished in 1865 in the case of European officials, because of its bad effect on both officials and natives, and the pay of the cultivators has been raised. Percentages are still retained for the native officials, who are the superintendents of cultivation. Under their direction work is carried on in a careless and half-hearted way. Attempts to introduce a more intensive cultivation and better treatment of the crop have failed because the interests of the natives are not enlisted, and it is said that the quality of the product is declining.¹

¹ U. S. *Commercial Relations*, 1898, 1066. Van Soest, *De koffij kultuur op Java*, *De Economist*, 1872, i, 128. For a description of the shiftless work on a government plantation see *Tijdschrift voor indische taal- land- en volkenkunde*, 1884, 29 : 513.

With the fall in the price of coffee, due to increased supply in the world's market, and the consequent decline in profits, the motive for maintaining the government culture has grown weaker. The government has had, moreover, to contend with the ravages of the coffee blight, which reached Java in 1879 and which has ruined many plantations. Before the date named, in 1875, a committee of the Second Chamber, after studying a report of the chief inspector of cultures, advised that the government culture should be discontinued, but the Chamber took no action. Again, in 1888, a royal commission was appointed to report on the government culture, and after a thorough investigation advised that this last remnant of the culture system should be given up. No decisive action was taken, but the Chamber recommended that the government should give up the monopoly rights that it had exercised over the production of individual natives, and should either pay natives bound to the culture full wages or lease the plantations. A subsidy was granted to go in part toward raising the price paid the cultivators, who were reported as suffering severely in some districts.

There is a great diversity of opinion as to the best way to effect the transition from forced to free culture, but the change is sure to come and will probably be not long delayed. Of the natives engaged in the culture nearly half are now freed from the obligation of planting more trees to replace those that die out, and since 1894 forced culture and delivery of coffee have been entirely abolished in four of the residencies where they formerly prevailed.¹

The reluctance of the government to give up the system of forced cultures in Java can be explained in part by the natural

¹ There is a good sketch of the history and organization of the coffee culture in de Louter, *Handleiding*, 377-390, and full statistics are to be found in the *Jaarcijfers* and the *Koloniaal Verslag*. Van Soest's article on the coffee culture, *De Economist*, 1872 i, is a criticism of the forced culture and an argument in favor of leasing the government plantations. The proposal that a stock company should be formed to assume the coffee interests of the government suggested too many dangers to be seriously entertained. (*Het ontwerp eener West-Java-Koffij-Kultuur-Maatschappij*, *De Economist*, 1865, 321 ff.) More recent proposals have aimed at a reform of the system by which the natives are paid, and at an improvement of the government administration by transferring the coffee culture to the forestry department. (*De Economist*, 1889, 179; 1890, 229 ff.; 1892, ii, 831 ff.)

inertia of all political organization, by the tendency of every government to continue in the line to which it has become accustomed. A better reason for the maintenance of the system is to be found in the revenue that it has yielded, so long as the conditions of the world market have favored one or another of the many crops to which the system has been applied. But apart from these considerations there has been another argument constantly urged in favor of maintaining forced cultures which has had immense weight in delaying the passage to a system of free cultivation. The argument was this, that under freedom there would be no cultivation of export articles at all; that the native, left to himself, would give up producing coffee and sugar and would raise nothing more than the food necessary for his own subsistence, and that the people of Europe would lose all the benefits which the natural resources of Java, if properly exploited, could confer upon them.

The strength of this argument will be apparent from a brief review of some of the features of the economic organization in Java. The population of the island is at the present time extremely dense for a country that is almost purely agricultural. For each *bouw* (about one and three-fourths acres) of land cultivated by natives there were in 1891, 4.4 inhabitants, a proportion equivalent to over two persons to the cultivated acre. It should, however, be borne in mind that the population has more than doubled since the middle of the century, and that the land is of exceptional fertility. That there is, even now, no serious pressure of population on subsistence is shown by the fact that the principal crop is rice, an article of food which is by no means the cheapest in the East, and which was regarded as a luxury by the native population in the period when the East India Company ruled in Java. The Dutch planters, therefore, could not rely on the pressure of actual necessity to secure to them any constant supply of laborers. Most of the natives were cultivators of the soil, and had no motive to bind themselves to work for others so long as they could maintain an independent existence. The class of natives who had neither land nor a trade to support them and who served others for hire was not large in numbers and was absorbed to a considerable extent in the internal organiza-

tion of the village. It furnished a certain amount of the labor force for the undertakings that were established after the abolition of the forced cultures, but the laborers from this source were extremely unreliable.

Supporters of the culture system claimed that aside from effecting an increase in the production of certain articles, it was valuable for its educational influence. It was supposed to discipline the natives by constraining them to labor. Some authorities, who deprecated its bad influence in many directions, expressed themselves in favor of it as a temporary but necessary stage in the development of free contract relations between European employers and native laborers. It is probable that in fact the system was of some benefit in impressing on the minds of the natives the obligation of steady work under certain circumstances. But the culture system formed the worst possible introduction to a system of free labor in so far as regards the impression that it left on the natives as to the real reason for labor. They worked because they had to, not because they wanted to, in fear of punishment and not for hope of reward. The culture system educated them as producers, not as consumers;¹ it gave them the capacity for labor without the motive for applying it, for it created in them no wants that they had not had before. The ships that took tropical products to the Netherlands returned to Java in ballast during the operation of the culture system; the coffee and sugar were a tribute for which Europe made no return. It was perfectly natural that the natives who saw the ships come empty should be willing to let them go away in the same condition. After each step, therefore, in the abolition of the culture system, the natives tended, for a time at least, to revert to their former hand-to-mouth system of production, that brought them in as much as they had been accustomed to receive and cost them much less labor.²

¹ "It is not money that the Javanese need, but the faculty of using it," said a man who had a good acquaintance with the free laborers about the time when the culture system was declining. According to his experience the only thing that would tempt laborers to work was the desire for opium or the want of money for gambling. *De Economist*, 1862, *Bijblad*, 333.

² When the forced services in the clove culture were abolished in 1859, "in spite of the advantages offered to them, the majority of the freedmen declined

European employers found it impossible to get the necessary supply of labor without maintaining the practice current under the culture system, of relying upon official pressure rather than on the native's sense of his own advantage to lead him to work. An author who had been in the Dutch official service, but who was at the time of writing a tobacco planter, exposed the fallacy of the idea that freedom of contract in labor relations was established at a stroke. The native overseers on the plantations secured the good will of the district chief, the native official next above the village head men in rank, and through his influence got any number of laborers desired. Another observer, writing at the same time, describes political influence as the determining factor in the chance of starting any undertaking. All depended on the attitude taken by the Dutch and native officials; if they were favorable to the undertaking, the people obediently made the desired contracts. As a natural result of the way in which the laborers were engaged, they proved slippery and unreliable, seeking every opportunity to evade their obligations.¹ The system by which contracts could be made with a whole village at once tended to increase the chance for an abuse of political power. After 1863 the contracts had in form to be with individuals, but the influence of the chiefs still remained an important or decisive element in the labor question, especially in districts where communal property prevailed. In 1882 a writer gave as the impression left by a journey through Java his belief that the problem of securing labor without the connivance of the head men had been solved, but even then all authorities did not agree with him.²

In their relations with the really free laborers of Java, those who are not subject to the influence of some political chief,

to engage themselves as free laborers." Ward, *Report on the Progress of Neth. E. I.*, in Rep. of H. M. Sec. of Embassy, Lond., 1863, 6: 145. Cf. Bickmore, *Travels in the E. I. Arch.*, N. Y., 1869, for a description of much the same state of affairs in Amboyna. D'Almeida, *Life in Java*, 1: 269, says that the natives in Boedoeran were emancipated from forced services in cutting and carrying cane a few days before his arrival there; he found the industry in straits for lack of laborers and the cane often left till over-ripe.

¹ *De Economist*, 1862, Bijblad, 347, 334.

² *De Economist*, 1882, ii, 1122.

European employers have experienced two great difficulties, which will now be considered separately.

At the start the difficulty is encountered of getting men to bind themselves to work for wages who see any chance to continue their independent existence. Travelers in Java are all struck with the productiveness of the island, with the ease with which the natives can manage to live. Their scale of life would appear hopelessly low if measured by western standards, but their wants are so small that it satisfies them. The lower their scale of living, in fact, the more likely they are to rest content with it so long as they are not absolutely starving. In practice it has been found impossible to secure the services of the native population by any appeal to an ambition to better themselves and raise their standard. Nothing less than immediate material enjoyment will stir them from their indolent routine. As a result, it is the universal practice among employers to offer a large part of the wages for any period in advance; if the native takes the bait he can be held to labor (in theory, at least), until he has worked out the debt that he has incurred. The system of advances to secure the services of laborers is described as universal, down to the present time. Employers and officials deplore it, but recognize its necessity; even the government makes advances when it requires the services of wage laborers.¹ As an example of the process the following contract can be cited, long in use by sugar planters to effect the transport of the cane. The advance figures as the price of the cart and draught animals, which the native declares to have sold to the employer with the right reserved to himself to buy them back at the end of the season, and under condition that he shall have the use of them in the meantime. The transport charges are paid for only one

¹ See especially Pol, *Indische adviezen in de Staten-Generaal*, De Gids, 1877, iii, 257 ff. A number of reports from Dutch officials are quoted there (p. 281), in which the system is described as a "necessary evil," "demoralizing but unavoidable," etc. Peelen, De Gids, 1893, i, 392, speaks of the system as "een ware kanker," but says that it is practically impossible to get laborers without advances. The sugar contract cited is from van den Berg, *De afwijkingen van het Mohammedaansche vermogensrecht op Java en Madoera. Bijdragen tot de taal- land- en volkenkunde van Nederlandsch Indie.* 1897, 6 volgr. 3:127.

day out of five or seven, and the rest goes to the repurchase of the outfit; if it is not enough at the end of the season to repay the original advance the debt will run over to the next year. This contract is peculiar in that the employer has some security for the advance that he makes. In the case of ordinary labor contracts he has only the person of the native, and these contracts are the most common of all.

It is evident that this system could readily lead to a permanent subjection of the native to the European employer, like the credit bondage that was formerly common in the native organization. In securing laborers for the spice islands, who were to receive wages of 6 florins a month, it was customary to pay 50 to 100 florins in advance,¹ and a case is given in which a cook, whose wages were to be 1 florin a month, was given an advance of 30 florins at the time when he was engaged—nearly three years' pay. The government intervenes to protect the laborers by a regulation prescribing that contracts cannot be made for a term exceeding five years, and that they must contain full specifications of the services to be rendered and the pay to be given. Every contract must be recorded with the government, and its terms are investigated and their proper fulfilment assured by government officials.

In fact, however, the natives seem competent to protect themselves against European employers. The second great difficulty experienced by planters in their relations with the laborers is the tendency of the natives to break their contracts and leave their work, whether for good reasons or for no apparent reason at all. Under the culture system, which identified the economic and political organization, and applied all the police power of the state to hold laborers to their work, it was possible to check the untrustworthiness and fitfulness of the natives. Whatever influence the discipline of the system may have had, it certainly did not effect any radical reform in their character. Laborers would take advances on their wages and then desert; some laborers hired themselves to two or three undertakings at once, to get the advances. When they did not leave an undertaking

¹ Lans. *Rosengaard*, Rotterdam, 1872, p. 16; van der Linden, *Banda en zijn bewoners*, Dordrecht, 1873, p. 45.

entirely they worked only as the fancy seized them; in one residency an official report stated that a man who would work fifteen or twenty days in a month was considered a good hand. The loss caused to planters by the lack of the workmen on whom they had counted, and often at the very time when their labor was most needed, led in 1872 to the publication of an ordinance punishing the breach of a labor contract with a fine of 16 to 25 florins, or forced labor on public works for seven to twelve days. The justification of the ordinance is apparent in the fact that during three years of the period in which it was in force almost 9,000 cases of breach of contract were punished under its provisions. Opinion in Java seems to have been unanimous in upholding the ordinance, but in 1877 the Second Chamber of the States General passed a resolution against it, that led to its repeal. This action was regarded as an unwarrantable interference of the Dutch legislators in a question which they had not studied and which they did not understand; they followed their own theories in defiance of the opinion of practically all the jurists and officials in India who were conversant with the difficulties against which the Dutch had to contend. Since 1879 breach of contract has been punishable only in case it can be proved that the native had intent to desert at the time when he made the contract, and the law has been practically inoperative.¹

Individual natives, not bound by contract to a planter, have shown little desire or ability to produce for the European market. Java presents in this respect a contrast to British India, and the cause is apparently the same as that of so many other contrasts between the two countries, the greater productiveness of the land in Java, and the lack of pressure on the population. Chinese traders scour the country for export products, buying up coffee, tobacco, rice, hides and a few other commodities, but the total amount thus brought into the channels of the world's

¹ Pol, *Ind. adv.*; De Economist, 1878, i, 392 ff.; 1891, 386. Peelen, De Economist, 1893, i, 394, hoped for a reimposition of the penalty, as the government had announced that it was not averse to such action; but nothing had been done when de Louter wrote, in July, 1895, and the agitation of the question was still continuing.

trade is small in comparison with the amount that is produced under the direction of planters.¹

The Chinese deserve special consideration in this study of the organization of production in Java. They form only about one per cent. of the population, but they have an importance disproportionate to the place that they take in the census enumeration. With qualities differing from those of both natives and Europeans they form a link between the two races, that alone would be separated by an almost hopeless distance; they are the natural middlemen of the East. Of all the Chinese in Java very few are coolies or field-laborers; they live by their brains, not by their hands. They are a permanent element of the population, with a settled residence, and a family life that has been established for generations. Whatever their general moral character may be—no two authors agree in describing it—there can be no question as to their economic virtues. In contrast to the natives the Chinese have tastes which, if not refined, are at least expensive. Those who can afford it love to live in style, impressing the rest of the world with their houses and their equipages, and even the poorer ones seek what luxury they can afford. All love enjoyment, and—this is the important point—all are willing to work for it. Their steadiness and intelligence put them on a plane above the natives, who have never shown the ability to compete with them on equal terms in trade or industry. They seem to lack the breadth and boldness of conception that would enable them to enter large enterprises as rivals of the Europeans, but between the two races they have an assured position. Business houses in Java find them indispensable in marketing the goods imported for native consumption; it is only they who have the patience and cunning fitting them to bargain with the petty agents who enter into direct relations with the native consumers. The Europeans have been loud and constant in their complaints of the business methods of the Chinese, whose frequent bankruptcies are notorious and are

¹ Of the total exports, amounting to over 200,000,000 florins, it is estimated that the natives by themselves produce only about 5,000,000. (*Van der Berg, Java's bevolking, De Economist*, 1894, i, 29.) It is possible that this estimate does not include the native-grown coffee. It is found now that when natives are freed from the obligation of growing coffee they let the crop decline in quantity and quality. (*Begroeting van Ned. Ind.*, 1900, Bijlage, 35, p. 7.)

charged with being often fraudulent. But in spite of everything European merchants cannot do without the Chinese; they have before them the dilemma of doing business with the Chinese or of doing no business at all.¹

The prominence that has been given to the Chinese in their relations with European merchants should not distract attention from the other side of their functions, really more important, their dealings with the natives. The position that they have held under the government in the past has assured them the establishment of relations with the people in all parts of the island; every pawn-shop and every opium agency is the nucleus of a little commercial organization. Chinese peddlers vend their wares throughout the country, and Chinese traders pervade the markets where most of the native trading is done. They sell everything that can tempt the native to buy, manufactured wares and ready-made clothing, drugs and chemicals for dyeing, and all sorts of "notions." Some come to the market with bags of copper coins to buy the native produce, and some do not appear at all, but wait from the early dawn at convenient cross-roads to forestall the market by buying up the articles that are being carried there for sale. The petty trade is not confined to Chinese, but is carried on most successfully by them; the natives seem unable to compete with them on equal terms, and are driven into less remunerative branches of the trade, or become dependent agents.

The Chinese trader is to the native consumer the missionary of the modern economic organization. He brings to the door of the native and presents to him in concrete form the advantages to be gained by entering the organization in producing for exchange. Every imported ware sold by peddler or merchant is a pledge that a native product of equal value is gained

¹ *De Kali Bezaar te Batavia*, De Economist, 1862, Bijblad; Mees, *De Indische groothandel en de Chineesche lijnwaadhandel*, De Economist, 1884, i. The President of the Java Bank, in his annual report on the state of the market, (*Kol. Verslag*, 1898, Bijlage MM.), complained of the depression in the import trade as largely a result of the untrustworthiness of the middlemen; failures of the Chinese had not been so numerous in 1897 as in preceding years, but still caused many losses.

The best references for the place taken by the Chinese in the native organization are Poensen, *Naar en op de pasar*, Mededeelingen van wege het Nederlandsche Zendelinggenootschap, Rotterdam, 1882, 26 : 1-30; Beijerman, *Its over de Chinezen in Ned. Ind.*, ibid., 1885, 29 : 1-25.

for export. The petty trader should have the credit for the total amount produced for export by the individual natives, and for a large proportion of that which is produced by natives under European direction. The writer has no information as to the form in which wages are paid on the plantations; it is possible that the truck system prevails to some extent, and that the laborers are forced to take their pay in the shape of commodities at the proprietor's store. So far as they are paid in money and are allowed to spend it without restriction, they find the real incentive to labor in the wares that are offered them by the trader. On the skill and energy with which he fulfils his functions production for the European market depends.

An exhaustive study of the labor question in Java would necessitate the treatment of another topic, closely related to it, that of land tenure. The separation of land and labor comes at a comparatively late period in economic development, and has scarcely more than begun in modern Java. But the limit of space imposed upon a review article forbids the consideration in this place of a topic that cannot be adequately discussed without entering upon many details of native organization and Dutch legislation. The writer must content himself with the hope that the article in its present shape will suffice to make clear some of the chief difficulties that the Dutch have encountered in their attempt to establish a system of free contract labor in a tropical country, and some of the methods by which they have attacked these difficulties. If little has been said about the improvement in economic and political conditions effected since the abolition of the culture system, it is not for lack of facts to prove it; the writer takes for granted that proof is unnecessary. It has seemed wiser to emphasize the seriousness of the problems that have confronted the Dutch in their new labor system, and that are still only partly solved. No student of these problems can doubt their gravity. The process of solution must be a slow one, for it must wait upon the growth of the native population, and upon a change in the native character. But the process, though slow, will be sure, for under the present system the powers of government and the interests and responsibilities of individuals are so distributed that there is the best assurance of a progress unbroken by relapse.

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NOTES.

The Work of the Industrial Commission. Whenever a government makes use of a commission as an aid in the solution of a grave industrial problem, four questions naturally arise in estimating its work: (A) as to its personnel and organization; (B) as to its method of work and the form of its report; (C) as to the facts disclosed in its investigation; and (D) as to its conclusions or recommendations.

(A) This commission forms a notable exception to the usual congressional commission in the United States in two particulars: First, it was made up of representatives of the national Congress and of the industrial interests of the country in about equal proportions. This gave the Commission a business-like character, and has served to confine the inquiry to the more specific and practical aspects of the questions before it. Second, it has employed a corps of expert agents and assistants in carrying out the details of its work. In this way the Commission gained the confidence of the conservative industrial interests and secured as voluntary witnesses many men whose testimony otherwise must have been compulsory if secured at all and consequently of small value. Again Professor Jenks, from his intimate knowledge of trust methods, was able to so direct the inquiry as to secure much really valuable testimony that would not otherwise have been disclosed.

(B) The preliminary reports on Trusts and Industrial Combinations, which appeared March 1, 1900, indicates the method of work adopted by the Commission and the form the reports are to take. This report consists of (1) the testimony in full, (2) a topical digest of the evidence, (3) a review of the main facts brought to light by the investigation, (4) a critical examination of the effect of trusts on prices, and (5) the recommendations of the Commission. The testimony consists of nearly twelve hundred pages of solid brevier. It contains the testimony of sixty-two witnesses regarding eleven of the typical combinations. The relative amount of space devoted to each group of industrials investigated is indicated in the following table:

	No. pages of digest.	No. pages of testimony.
The sugar combinations.....	16	136
The whiskey combinations.....	19	128
The standard oil combinations....	80	540
The iron and steel combinations..	41	218

The review of the evidence sums up the essential facts of the testimony in convenient form for the reader whose time is limited. The digest of the testimony is perhaps the distinctive feature of the report. It was prepared by Professor E. Dana Durand of the Leland Stanford Junior University, one of the expert agents of the Commission, and bears the marks of the trained economist. In this digest the facts disclosed by the investigation are carefully arranged under appropriate heads and sub-heads, accompanied by constant reference to the pages in the volume of testimony where such facts or opinions are stated in full. For instance, under the American Tin Plate Company we find the following topics: I. Description of the business; II. Organization and capitalization; III. Excessive competition as cause of combination; IV. Control of plants and output by the combination; V. Effect of combination on prices and quality of goods; VI. Relative economy and advantage of manufacture by combination; VII. Effect of combination on labor; VIII. The tariff and the tin-plate industry. By this review and digest the Commission, under the leadership of the expert agents, has not only made the results of its work readily accessible to the public but has set a fashion which future commissions will do well to follow. The statistical tables of prices accompanied by charts, with a critical analysis by Professor Jenks, are of large permanent value. Professor Jenks shows in a strictly scientific way the relation of the combinations to prices in the case of sugar, whiskey, petroleum, tin-plate, and iron and steel.

(C) The witnesses examined by the Commission represented both the opponents and the friends of the trusts as well as those who had no direct interest either way. Hence the testimony is often conflicting and sometimes contradictory. Still substantial agreement appears on the following points: (1) Competition is the chief cause of combination; (2) discrimination in freight rates, if not one of the chief causes as many believe, is certainly one of the worst evils connected with the problem; (3) the capitalization, including both preferred and common stock, varies from two to three times the real value of the plants and patents in the case of the conservative industrials, while in the case of those "otherwise situated" the capitalization bears little relation to the actual assets; (4) the large combinations have a slight advantage both as buyers and sellers. This advantage, however, even in the case of those combinations which control a large percentage of the output, is much less than generally supposed. The regulator of prices, it is

admitted by both the friends and the opponents of the trusts, is the probability of competitors entering the field if the attempt is made to force prices much above the competitive level. Still the fact that the large combinations usually make the prices and the smaller concerns follow in their quotations indicates clearly that within certain rather narrow limits the trusts do have the power of arbitrarily fixing the prices, both of the products they sell and the commodities they buy. (5) It is generally admitted that the trusts have the power of lowering prices in certain localities or to certain individuals and that they make use of this power when they consider it necessary to crush out their smaller rivals; (6) the large combinations, whenever the protective tariff permits, sell in foreign markets at a less price than in the home market; this is done, it is claimed, in order to gain a foothold and extend our foreign trade; (7) the trusts have generally affected unfavorably the high salaried men, lessening their number and decreasing the rate of their compensation; of the wage-earning class proper, while in some cases the number is less, the remainder have profited by higher wages and steadier employment.

(D) The keynote to the recommendations of the Commission appears in their conclusion that "experience proves that industrial combinations have become fixtures in our industrial life. Their power for evil should be destroyed and their means for good preserved." To this end the Commission recommends:

First, increased publicity on the part of the promoters and organizers of those industrial combinations which look to the public to purchase or deal in their stocks or securities.

Second, increased responsibility on the part of the directors to be enforced through publicity; this publicity in the case of the larger corporations—the so-called trusts—to consist of a properly audited report published annually, showing in reasonable detail their assets and liabilities, with profit and loss; such report and audit under oath to be subject to government inspection.

Third, increased power for the Interstate Commerce Commission, authorizing that body to prescribe the methods of keeping accounts of the railroads, to inspect and audit such accounts, to prescribe classification of freight articles, and to make rules and regulations for freight transportation, throughout the United States.

In presenting this preliminary report on March 1, the Commission states that "the urgent demand for information leads us to submit what we have in hand at this time." Since no provision has

as yet been made for the general distribution of the report, it would appear that our Congressmen do not agree with the members of the Commission in regard to the "urgent demand" for information on the trust question.

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The Proposed New York Business Companies' Act : 1900. The proposed Business Companies' Act, reported favorably by the Senate, although failing of passage by the Legislature, deserves more than a passing mention for two reasons:—(1) for its authorship, (2) for its contents. Governor Roosevelt took the first step by affirming, in his annual message, that "the corporation that manages its affairs honestly has a right to demand protection against the dishonest corporation. . . . They (the corporations) should be relieved from (immortal) burdens, but held to a rigid accountability for acts that mislead the upright investor or stockholder, or defraud the public." By thus taking a rational position, intermediate between the drastic anti-trust legislation of Texas and the corporation-enticing statutes of Delaware and West Virginia, the Governor of the State was able to avail himself of the best economic, financial, and legal advice in drafting the act. Naturally, as chief architect of the act, Governor Roosevelt selected Professor Jenks of Cornell University, whose thorough training in both economics and government, together with his experience as expert agent of the Industrial Commission, admirably fitted him for the task. In this work Professor Jenks had the criticism and advice of financiers, lawyers, and business men whose experience with legitimate industrial corporations rendered their co-operation of the highest practical value. The act is thus notable as representing the combined experience of the successful man of affairs, the trained economist, the financier, and the corporation attorney.

In its contents the act is characterized by the following distinctive features:—

First, it is strictly a business companies' act. It does not make the mistake of attempting to destroy monopoly and nurse competition on milk from the same bottle. It divides in order to conquer, and distinctly provides that "nothing in this act shall be construed to repeal any of the provisions of the existing laws of this State regarding monopolies or the formation of monopolies."

Second, the act provides for full publicity of the corporation's affairs, but this publicity, with the exception of certain reports to the State, is limited to the stockholders only. Publicity is granted to stockholders and not to the general public in order that small corporations engaged in strictly competitive business may guard their business affairs from their competitors. Corporations approaching the monopolistic position must generally have their stock scattered so widely that reports open to stockholders will be open to the world. The effect of this publicity will be, it is expected, (1) that excessive profits can not be concealed, competition will be invited and the consumers protected from exorbitant or unreasonable prices; and (2) wage earners will know when to resist a reduction of wages and when to demand an increase.

Third, it provides, so far as is possible by law, that every corporation organized under the act shall be a New York corporation, not in name only, but in fact. To this end it is provided (1) that all meetings of stockholders shall be held in the registered office in New York, where are to be kept the principal stock and transfer books, written up to date and open at all times to the inspection of *bona fide* stockholders; (2) that no foreign corporation except a national bank may hold any meetings of stockholders within the State of New York. The registered office, over which must be displayed the name of the company, where the officers may be addressed, notices given and papers served upon the company, must be regularly open during business hours in charge of a responsible agent, who in addition is required under heavy penalty to make a report annually, showing to what extent the law in this particular has been observed. In short, corporations organized under this act must not only maintain an office in New York, but such office must in fact be the principal office where the important books are kept and the meetings of the stockholders are regularly held.

Fourth, it aims to prevent over-capitalization not by prohibitory legislation but by publicity. James B. Dill, Esq., in an address before the Massachusetts Reform Club, March 9, 1900, explained the principle of the act in this point so clearly that a quotation from his paper may not be out of place here: "Capital stock may be issued for money or for any other consideration and practically irrespective of par value, but the certificate of stock itself must plainly and clearly state for what it is issued. . . . All stock shall be held subject to payment at its par value in cash unless before the issuance of the stock a contract shall be filed in the registered office of the company

which shall truly and fully disclose in detail the consideration for which the stock was issued. . . . All stock issued for any consideration except for cash shall have stamped across the face of it a statement that it is issued other than for cash, and stating where the contract is filed which discloses truly the consideration of the stock. . . . The contract shall absolutely and truly disclose the consideration for the stock and from whom it proceeds, and in every annual and other report concerning the stock of the company it shall be truly described. . . . This done . . . the judgment of the board of directors as to the par value of consideration other than for cash shall be final and conclusive, provided the provisions as to publicity are fully carried out." The *New York Journal of Commerce* questions the expediency of the above provision on the ground that "It is a sound and universal principle of corporate law that if any shareholder takes from a corporation a share of stock of the par value of \$100, and pays for it only \$75, that shareholder can be compelled to pay to any creditor of the corporation the remaining \$25 if the corporation owes the creditor that much and is unable to pay it itself. It is so provided by the existing law of this and other States, and it is so provided by the act now before us as to all stock issued for cash. The reason of the rule is this: The corporation, and the stockholder through it, have been enabled to use and enjoy a credit of \$100 founded upon assets of only three-fourths of that amount. If the actual assets are at any time found insufficient to pay the debts of the company, the courts have always held it to be equity that the stockholders should be compelled to make its actual assets equal to the fictitious assets upon which its credit is founded." The criticism of the *Journal of Commerce* is not, it seems to us, well taken. The prime object of the act is to disclose to the public, including the creditors, the real assets of the company. To do this, legislation should not place a penalty upon such disclosure, nor a premium upon actual misrepresentation. If the law holds the investor responsible for debts equal to the face value of the stock, when that value in itself is speculative in its nature, the investor has an object to gain if he can so deceive the public, including the creditors, as to secure that amount of credit. So long as the advantages of the increased credit due to over-capitalization outweighs the disadvantages due to increased liability for debts, fictitious capitalization will continue. The act simply proposes to make known to the public the real value of the property, and so far as it succeeds it takes away the chief incentive to inflation

of capital stock. Under these conditions the reason for the rule falls to the ground. No corporation whose real assets are fully known will be able to obtain additional credit simply because it calls a share worth only \$75, one hundred dollars. The act recognizes the fact that a share in corporate property represents simply a fractional part of that property, not an absolute value. The recognition of this fact by legislators and the public would eliminate much false logic from trust literature and many unwise laws from our statutes. If further argument were needed to support the act at this point, it might be added that the inevitable result of obliging the directors to swear that all property for which stock has been issued has been taken at its true value, as under the Massachusetts law for instance, is "to keep the most conscientious business men off from the board of directors and to fill their places with less scrupulous ones who are willing to make an oath with a mental reservation."

Fifth, the act recognizes the promoter as a legitimate factor in modern business development, requires him to work in the light of day and proposes to hold him legally responsible for his acts. The author of the bill evidently does not believe that evil can be eliminated from the world simply by ignoring it. Every prospectus or other advertisement, issued with a view of inviting public subscription to stocks or bonds, must specify the proposed directors and promoters with their interests in the same and their consideration for their work, the property acquired or proposed to be acquired, with the consideration for it, the amount of the commission paid or proposed to be paid to the underwriters, together with all such detailed information as may be necessary in forming an opinion as to the real worth of shares so offered. To secure the observance of the above requirements it is enacted (1) that a prospectus which does not comply with the law shall be deemed fraudulent on the part of the directors or proposed directors, managers or promoters knowingly issuing the same; (2) that every person taking shares on the faith of such prospectus, unless he had actual notice of the particulars omitted from the prospectus, shall in addition to any other remedy he may have been entitled to, sue for rescission of his contract to take shares; (3) that every person aggrieved may sue for and obtain a money compensation for his loss.

In addition to the attempt to secure honest promotion a provision is added intended to secure adequate legal responsibility on the part of companies acting as transfer agents for the corporation through

the following clause: "Any corporation or individual countersigning the stock or bonds either as transfer agent or as registrar shall be deemed to guarantee the legality and regularity of the transfer unless the countersign shall give notice to the contrary." In regard to the efficacy of these provisions Mr. Dill says: "The law relating to promotions contained in the proposed act will put an end to improper promotion and to unwise financing, and it is because these chapters are the foundation of the act that it is safe to allow the issuance of stock upon the terms already indicated."

Sixth, the act provides for an auditor or auditors, to which office directors are ineligible, chosen by the stockholders to protect the general interests of the company against the narrower interests of the board of directors. It is perhaps worthy of note that in this provision corporation law is adopting a device which the modern constitutional state has made large use of to protect the common interests against those of the government. The auditors of the larger corporations must furnish bonds in the sum of \$50,000, guaranteed by some authorized surety company, to which extent they may be held liable in damages for negligence in performing their duties. They are required to inspect the shareholders' balance sheet and report upon its legality and character, show wherein it is defective, if such is the fact, and in general give the stockholders all material information which they have gathered "with regard to the books, accounts, securities, vouchers, papers, writings, and documents examined by them." In order to do this effectively the president and the directors must furnish the private balance sheet giving details and "any information they may need." The shareholders' balance sheet furnished by the directors, together with the report of the auditors, must be read before the company in general meeting.

Seventh, the remedies provided by the act for non-compliance with its terms are in general so far as possible automatic and instantaneous in their action. If a director or other officer fails to call the annual meeting of the stockholders at the proper time, salaries of officers and directors cease from the time it ought to have been held until it is actually held; and in general the act provides that "in case of violation of the law as to publicity or otherwise, the director at fault instantly by the very act goes out of office and loses all his right to salaries, emoluments or other returns from his official position."

Eighth, the act sanctions the purchase and resale of its own stock by the following clause: "Every corporation shall have the power to purchase or otherwise acquire its own capital stock, but only out of its own surplus earnings, or in payment or satisfaction of any debt due the company to such extent and manner and upon such terms as the board of directors by two-thirds vote shall determine, and to reissue the said stock so acquired. Any such purchase or reissue of stock shall be noted in the annual report." It will be generally admitted that the privilege here granted may at times prove of large benefit to the corporation without consequent detriment to the stockholders or the public. Such a case occurs when a small clique of stockholders, by selling their stock back and forth, are able thus to manipulate the value of the shares. The board of directors, as the legitimate defenders of the interests of the company, might, it will be granted, protect the interests of the business had they been given the power of buying up these shares when they were offered. In the New York Act this power is carefully guarded: (1) by the provision that such purchase shall be made only out of the surplus and (2) by the right of the stockholders to call for the minutes of each directors' meeting at any annual meeting. Still such power is constantly liable to abuse for two purposes: (1) to virtually annul another clause of the act which provides that every increase or reduction of the stock must have the sanction of stockholders owning at least two-thirds of the stock, in a meeting called especially for the purpose; (2) to legalize inside manipulation of the price of the shares, a privilege most likely to be used to benefit a small group of directors and their friends at the expense of the investing public; an objection which certain recent developments in industrials strongly emphasizes. This objection is not answered by affirming that it is better to allow the directors to do openly and publicly under the protection of the law what otherwise they would do secretly and irresponsibly. The cases are not parallel; in the one the director is speculating on the company's funds, in the other on his own. For the degree of publicity guaranteed by the act would prevent the practice, too common in the past, of directors speculating with the corporation's funds. On this point the *Journal of Commerce* well says: "An owner of stock who wishes to sell it should be free to go into the market without danger of encountering competition from his own agents using his own money for the purpose; any one wishing to buy the stock should be able to buy it at a price fixed entirely by the results of the legitimate exercise of its functions as a producer and distributor

of commodities, and not dependent in any degree upon its skill in fixing the price of its own shares by any stock brokerage device."

This summary of the characteristic features of the Business Companies' Act does not aim either to state all the important provisions or to discuss any one exhaustively. Any adequate discussion of its merits or its demerits would extend far beyond the scope of this note. It is to be hoped, however, that the provisions of the act will form the starting point of a discussion that will cease only when our lawmakers, either by a federal corporation law, or if that be found impracticable, by State laws essentially uniform in their terms, shall have constructed the indispensable groundwork of a permanent industrial prosperity and peace, viz., a system of American corporation law conceived in a spirit of justice to all classes and able to guarantee permanent protection to the honest corporation, to the honest investor and to the consuming public.

In conclusion it is worthy of notice in this connection that the New Jersey Corporation Law, by Act of March 23, 1900, was amended in certain particulars along lines directly in harmony with the provisions of the New York Business Companies' Act. The amendments referred to relate to the annual report and require additional information as follows: (1) The amount of authorized capital stock, if any, and the amount actually outstanding; (2) the date appointed for the next annual meeting of stockholders for the election of directors; (3) whether the corporation has complied with the statute requiring it to maintain a registered office in the State, with the stock and transfer book properly kept and open at all times to the inspection of stockholders. The penalty provided for violation or neglect of this amendment is, like those of the New York Act, of the automatic variety. In addition to a forfeit of \$200 it is further provided that "if such report be not so made and filed, all the directors of any such domestic corporation who shall wilfully refuse to comply with the provisions hereof and who shall be in office during the default, shall at the time appointed for the next election, and for a period of one year thereafter, be thereby rendered ineligible for election or appointment to any office in the company as directors or otherwise."

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Insurance for the Unemployed in Basel. The democracies of Switzerland have proved themselves fertile in social experimentation. The latest addition to their collection of socio-political laws is an act passed by the great council of the canton of Basel, November 23, 1899, to provide insurance for the unemployed. The idea is, in itself, not new, nor is Basel the first canton to carry it into execution. What principally distinguishes the present law from others is that it has been framed with more deliberation, care, and precautions against abuse, so that it will serve as a better test of the effects and possibilities of this kind of compulsory insurance than any of those thus far enacted.

After the German series of compulsory insurance laws had given a great impulse to this kind of legislation throughout Europe, the question naturally arose: why not exorcise the evils of unemployment by the same means that have been applied to sickness, accident, old age and invalidity? And as in Germany, so in Switzerland, the spur which forced the step from theory to practice was applied by the socialists. In the annual gathering of the Social-Democratic party of Switzerland held in 1891, it was decided to take the initiative in proposing as an amendment to the federal constitution a series of clauses, providing, among other things, that "The right to a sufficiently remunerative labor is guaranteed to every Swiss citizen." In 1894 this amendment was rejected at the polls by a vote of 308,289 to 75,880.¹ Yet the movement stimulated the establishment of public employment agencies, and of insurance, either voluntary or compulsory, against the evils of unemployment. It should be remarked here, by the way, that the question of nomenclature occupied the attention of the Basel commission. The original title was insurance "against" unemployment. This having been criticized on the ground that it was really intended "for" unemployment, the matter was referred to a German professor of philology, who suggested the term "insurance for the unemployed," and this was finally adopted. Whatever the name should be, the thing was first introduced by the city of Bern in 1893. This is not compulsory, nor can it be called insurance except by courtesy, since the insured themselves contribute in fact but one-seventh to one-sixth of the funds disbursed, the balance being made up by private generosity and by a subsidy from the public treasury. St. Gallen followed in 1895. A permissive law having been passed in 1894 by the canton, the city introduced compulsory insurance for the unemployed within its own

¹ Schanz, *Zur Frage der Arbeitslosen-Versicherung*, p. 55.

boundaries, providing that the system should go into effect July 1, 1895, and be tried experimentally for two years. But the law was faulty in itself and was, moreover, executed with laxity. It was hard to collect the dues, the better class of working men felt that they were being taxed to support the shiftless, and the town meeting voted November 8, 1896, to close the experiment on June 30, 1897.¹

Undeterred by these experiences, Basel-Stadt has now undertaken to provide in a similar manner for its unemployed. But the present law is the outcome of a much more scientific study of conditions and of a longer deliberation. The movement of which it is the result was formally inaugurated by the executive council (*Regierungsrat*) of the canton in 1893, when it instructed the department of the interior to examine into the question. This department referred the matter to a commission of eleven citizens, who, in turn, secured from one of its members, Professor G. Adler, of the University of Basel, a memoir on which their first draft was based. This was presented July 15, 1894, to the executive council, who in turn discussed it and transmitted it to the great council November 8, of the same year. The latter gave it a favorable reception, but were not prepared to adopt it at once, and so referred it by vote of March 14, 1895, to a commission of nine. This commission took testimony, secured new evidence by means of a census of the unemployed, made in December, 1895, and reported the original draft with a few changes April 22, 1896. Still the great council was not satisfied, and May 6, 1897, referred the draft back to the same commission, who made their final report April 20, 1899. The subject came before the great council again in the past fall and after a short debate, the last draft of the commission was adopted with scarcely a change, November 23, 1899.

Although so many years have elapsed since the original essay of Professor Adler, the main outlines of his recommendations have been preserved, and the changes relate entirely to details. Even these have been so few that the number of sections is the same in the law as it was in the draft presented in 1894. It will, therefore, simplify the presentation, if we take up first those features which have remained unchanged in all of the bills and then trace the evolution of those which have been modified. From the first the insurance has been compulsory, not optional, for the classes of workers subject to it. These do not include all wage-workers, but only those in the trades

¹ Schanz, *Die Frage der Arbeitslosen-Versicherung*, p. 68 and *Neue Beiträge zur Frage der Arbeitslosen-Versicherung*, p. 43.

subject to the factory law of 1877, and those engaged in the building trades and in earth works, provided that they reside in Basel, are over fourteen years of age, and earn less than a certain amount. This was at first fixed at 2,000 francs a year, but was afterwards lowered to 1,800. According to Professor Schanz,¹ less than one-half of those who are liable to be out of work will get anything from the insurance, since many occupations are not included at all, while those who live outside of the canton are not subject to it, and of those who are included a very considerable number live and work there for but a part of the year. These will have to pay contributions while they work, since no one can tell in advance how long they will be in the canton; but if they happen to leave before they have had time to pay dues for, half a year, they lose all claim to benefit. The funds are supplied from four sources: the dues of the insured, the dues of the employers, the subsidy of the state, and private benevolence. The state also bears the expenses of management, and in case of deficit is to advance the necessary sums, without being financially responsible for making them good. The dues of the insured are collected through the employer, who must deduct them from the wages. The relief consists in a weekly pension, whose amount varies with the size of the family and the wage class to which the insured belongs, and is limited to a certain number of days in the fiscal year. These features have been in all of the drafts.

The changes made in the course of the deliberations relate mainly to the arrangement of the insured in certain groups according to risk and certain classes according to wages; to the amount of the dues; to the contribution of the state; to the size of the pension; and to the conditions under which relief can be refused. The law divides the insured into four groups according to the risk of unemployment and into four classes according to the wages they receive. In both of these cases it was found necessary to make the successive drafts more complicated. In the first draft there were but two groups, the first including factory hands, the second those engaged in the building trades and in spade work. Then it was discovered that certain of the building trades involved almost entirely indoor work and were, therefore, not nearly so much affected by the seasons as others, such as brick-laying, which involve outdoor work. Hence in the draft of 1896 group II was subdivided. Then it was found that some of the factories were much more subject to stoppages,

¹ See Schanz, *Neue Beiträge*, p. 51.

mainly on account of the condition of trade, than others; hence in the final draft, group I was bisected. At the same time the wage classes were expanded from three to four. The dues to be paid by the insured have likewise been modified. At first the sums payable weekly ranged from a minimum of 20 centimes in the lowest wage class of group I to a maximum of 60 centimes in the highest wage class of group II. By successive steps, the minimum has been lowered to 2.5 centimes and the maximum to 50. As the contributions of the employers have remained constant at 10 centimes for the less irregular trades, and 20 for the others, it has been found necessary to increase the subvention of the state, in addition to the office expenses, from 25,000 francs per annum to 30,000. The weekly contributions due from the insured may be summarized as follows:

Wage class	1 (10-22 frs.)	2 (23-28 frs.)	3 (29-34 frs.)	4 (over 34 frs.)
Group I.....	2½ cts.	5 cts.	10 cts.	15 cts.
Group II.....	5 "	10 "	15 "	20 "
Group III.....	10 "	20 "	30 "	40 "
Group IV.....	15 "	25 "	40 "	50 "

The weekly allowance to which the insured are entitled in case of loss of work has not been modified except as far as it was necessary to adapt the rates to four wage classes instead of three. In each of these wage classes, however, the amount varies according to the supposed needs of the individual, and is, therefore, graded according to the size of the family. To avoid needless detail, it will suffice to state, that three such family groups are recognized, the type of group A being the single man without dependents; of group B the man with a wife and one child, or the widower with children, under fourteen; of group C, the man with a wife and more than one child, under fourteen. The following table shows the weekly allowance in detail:

Wage class	1	2	3	4
Family group A	70 cts.	80 cts.	90 cts.	1.00 fr.
Family group B	1 fr.	1.20 fr.	1.40 fr.	1.50 "
Family group C	1.30 "	1.50 "	1.70 "	2.00 "

No one is allowed to receive help for more than seventy days (in the first draft ninety-one days) in one fiscal year, and it goes without saying that in general the loss of work must be involuntary, and not caused by some fault of the worker. To specify what circumstances shall in a concrete case cause the forfeiture of the allowance is not so easy, and several changes have been made since the

first draft. The reasons which deprive the insured of the right to an allowance are enumerated as follows in the law as passed:

- (a) If the unemployment is the result of strike, as long as the strike lasts.
- (b) If it is the result of voluntary withdrawal, except when a reason exists which justified an immediate withdrawal;
- (c) If the unemployment is the result of behavior on the part of the insured which would, according to law, have justified his immediate dismissal;
- (d) If the unemployment is the result of sickness or accident, as long as they last;
- (e) If the insured has not fulfilled the conditions of sections 4 and 38 (providing in substance that he must have kept up his membership for a year or, in the case of one who has resided a year previously in the canton, for six months.)
- (f) If the insured refuses without weighty reasons an opportunity for work.

The last four of these points have been the same substantially in all of the drafts, a mere change in the phraseology having been made in (e). The changes have occurred in the first two. In the first draft, the loss of the allowance was to follow in the case of "disputes regarding wages." In the new phrase strikes only, not lock-outs, carry the penalty. In view of the difficulty of determining what the dividing line between a strike and a lockout is and of the fact that one can often by clever diplomacy be made to appear like the other, it seems as if this amendment would not tend to make labor disputes less bitter. Under (b) the last clause was added in the draft of 1899. The vagueness of the exception would seem to make it easy for a lax administration to nullify the whole section, if so inclined.

It was estimated by the commission in its last report, that, taking as the cost of administration 45,000 francs, the funds would be supplied in the following proportions by the several coöperating agencies:

The State	75,000 frs.
Employers	63,184 "
Insured.....	87,179 "
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Total	225,363 frs
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The expenses are estimated at

Administration.....	45,000 frs.
Allowances to the unemployed.....	163,580 "
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Surplus.....	16,783 frs.

According to this estimate, the insured are expected to contribute but a little over one-half of the amount actually spent on benefits, and about 39 per cent. of the annual receipts.

The tendency in all such legislation is to grow more and more liberal towards the laboring man, and this tendency has marked most of the changes made in the original bill. The dues of the beneficiaries of the law are a much larger fraction of the total than in Bern, but it is clear that the ordinary principles of insurance do not apply to this kind of legislation, and that, as long as a subsidy is necessary to balance the accounts, there are neither mathematical nor economic reasons for making the amount borne by the insured one-third rather than one-seventh. The amount must depend entirely upon the readiness of the voters to lay taxes.

The Concentration of German Industries. The results of the census of occupations taken in Germany in 1895 have been published, and can now be compared with the results of the similar statistical inquiry of 1882.¹ An immense amount of highly interesting material is thus put at our disposal. Much light is thrown upon the important question of the concentration of German industries. The number of persons engaged in gainful occupations in 1882 was 7,341,000, in 1895 it was 10,269,000. This increase of 39.9 per cent. went hand in hand with an increase of industrial establishments of only 4.6 per cent. These establishments are divided into three classes according to the number of persons engaged in each establishment: the small ones with five or less persons; the medium establishments with between six and fifty; and the large ones with more than fifty. While the small establishments increased but 1.8 per cent. in number and 10 per cent. in the size of their personnel, the medium ones increased 69.7 per cent. and 76.3 per cent. respectively; and the large ones 90 per cent. in number and 88.7 per cent. in size of personnel. The establishments conducted by single persons and without steam or other power fell off 8.7 per cent. in the thirteen years. Evidently there is a marked movement toward relatively fewer small and relatively more large industrial establishments. The factory has grown, the household industry has declined. This concentration into large factories has been most marked in the textile industries, in which the number of those engaged in factories with ten or less employees has actually fallen

¹ *Allgemeines statistisches Archiv.*, 5ter Band, 2te Halbband, Tübingen, Laupp'sche Buchhandlung 1899, S. 545 & ss., 634 & ss.

off, while those in large factories have increased, the increase being greatest in the largest factories.

TEXTILE FACTORIES, 1882-95.

Establishments with	Increase (+) or decrease (-) of persons.
1 person	- 43.7%
2-5 persons.....	- 35.2
6-10 persons.....	- 5.9
11-50 persons.....	+ 19.4
51-200 persons	+ 47.6
201-1,000 persons.....	+ 83.1
1,000 persons	+ 125.3

The metal industries show similar results to those in the textile factories.

METAL INDUSTRIES, 1882-95.

Establishments with	Increase.
1 person	14.4%
2-5 persons.....	2.9
6-10 persons.....	87.3
11-50 persons.....	81.5
51-200 persons.....	104.5
201-1,000 persons.....	145.8
1,000 persons	1087.

The building industries indicate a less extensive concentration; apparently the maximum efficiency being attained in establishments with less than two hundred employees.

BUILDING INDUSTRIES, 1882-95.

Establishments with	Increase of persons.
1 person	16.2%
2-5 persons.....	14.7
6-10 persons.....	95.2
11-50 persons	121.6
51-200 persons.....	307.5
201 persons	169.7

Those engaged in commerce and trade are still to be found chiefly in small establishments. But here, as elsewhere, there is a noticeable tendency toward large establishments, though not as pronounced as in the above cases of the textile and metal industries. The department store has only recently made its appearance in Germany, and the small store will long survive.

COMMERCE AND TRADE, 1882-95

Establishments with	No. of persons in, 1895.	Increase.
1 person	350,572	19.5%
2-5 persons	592,973	70.3
6-10 persons	157,766	73.4
11-50 persons	179,259	106.6
51-200 persons	39,312	127.3
201-1,000 persons	13,111	723.6

In the industries attaching to hotels and restaurants we should not expect any great change during the years 1882-95. But we find a marked concentration going on here, the smallest establishments actually falling off in numbers, and among the others the rate of increase rising with the growing size of the establishment. There has evidently been an enormous increase in the number of inns and restaurants during the thirteen years, but, as in the case of the department store, the small "Biergarten" is eventually to be superseded by the large resort employing fifty or more persons.

INNS AND RESTAURANTS, 1882-95.

Establishments with	Number of persons in, 1895.	Increase (+) or Decrease (-).
1 person.....	58,230	- 34.5
2-5 persons	374,546	+ 125.6
6-10 persons	70,610	+ 131.5
11-50 persons	69,172	+ 146.8
51-1,000 persons.....	7,400	+ 429.8

Nationalökonomisk Forening.¹ A Congress of Political Economists was held in Copenhagen, commencing Nov. 23, 1899. The first meeting was the occasion of an address on the lockout of 1899,² by Professor Harald Westergaard, followed by a discussion of the same. Professor Westergaard is less disposed to blame the laborers than are some of his colleagues; he says the employers have been acting for years in a way that could only irritate the laborers. He says that the committees appointed to bring about, if possible, a peaceable solution of difficulties, performed its functions in an awkward and ponderous manner. Publicity should have been given to complaints through the press. The employers were quite undiplomatic and obstinate, and, worst of all, neither party could understand the other's train of thought. The general lockout was declared with undue haste, and nowhere was a disposition evinced to

¹ *Nationalökonomisk Tidsskrift*, 1ste Hefte, 1900.

² See YALE REVIEW, vol. viii, No. 4, p. 453, for a discussion of this lockout.

take any account whatsoever of the interests of *society* in the dispute and industrial war. The lockout was particularly injurious to society because it was a battle "along the whole line"; it should have been proved, before engaging in such strife, that a lockout was the last resort. The damage to the position gained by the Danes in foreign markets is grave, though the full effects of the long period of suspension of industry are yet to be awaited.

Some objections were made to these ideas, and strong doubt was expressed regarding the possibility of the success of peaceable means. Professor Scharling thought the vitality of Danish society was well shown by an apparent ability to endure such shocks without being brought to the verge of want.

In a later meeting, Consul A. Leigh Smith gave his view of the "political and economic situation in East Asia."

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BOOK NOTICES.

History of the United States, Vol. VI, 1861-1865. By James Schouler. New York, Dodd, Mead & Co., 1900—pp. xxii, 647.

This volume brings Mr. Schouler's important work to a close. Since the appearance of his first volume, that of each succeeding one has been awaited with interest, and no one with greater interest than the last one. Would the author, out of the vast amount of material at his disposal, construct a volume as well proportioned as the preceding ones? Would his admirable poise, so noticeable in the earlier portions of his work, be maintained? Could he treat dispassionately and fairly the men whose attempt to break up the Union he must thoroughly condemn? In these respects the volume before us is all that could be desired, and we have as a result one of the most interesting and useful volumes, for the general reader, that has been written on the war. Yet one sometimes misses the decided opinion of a man who has thought deeply on the perplexing problems of the war, and has arrived at his own conclusions. Instead, in some critical cases, one is left to infer the author's opinion from a single qualifying word, most deftly introduced, but with an effect somewhat lacking in incisiveness. These, however, are not blemishes. They simply mark the limitations which the author set for himself, within which he has worked with great skill and artistic finish.

Beginning with Lincoln's inauguration, the account closes with his death. Thus the whole period of the civil war is traversed. The campaigns of the war are well analyzed so as to give the reader a good bird's-eye view of the great conflict. His descriptions of the principal battles are especially fine, as seen in the impression he is able to produce upon the reader. Thus his description of Pickett's charge at Gettysburg makes the reader an eye-witness, looking down upon the scene from some commanding height, noting the natural features of sky and landscape, which add an irresistible charm to the dreadful scene. The passage is too long for insertion here. Notice also the vivid word-picture of the Wilderness, in which Grant and Lee fought so stubbornly; "a wilderness fitly deserving the name, whose outlook was limited, in all directions, by a skirt of forest growth, almost impenetrable, whose interlacing trees held the smoke of artillery and shut out sunlight, and whose tangled

undergrowth of scrub-oak and cedar retarded progress. Ravines yawned right and left, and the ruins of forsaken quarries, where once had been an ill-starred mining industry. . . . Lines had to be established by the pocket compass, and the battle was guided by sound and touch, rather than by the sense of sight."

Naturally we turn with interest to read his estimate of the great commanders of the war, especially the two who stand out most prominently, the one as the great failure, the other as the great success of the war.

Of McClellan he writes with no uncertain note, making use largely of McClellan's own memoirs, which set forth his weaknesses so clearly. He agrees with the general verdict, that while McClellan was a superb organizer, he was incapacitated by his excessive caution for aggressive leadership. Added to that was his complete self-confidence, and his almost insane suspicion of those in authority at Washington. He concludes that after Antietam, "the time had fully come for removing him from command of the Potomac army, and posterity may rest upon the deliberate conclusion which President Lincoln, with an official forbearance almost unparalleled, reached reluctantly." On one disputed point it is to be noticed that he arrives at a different conclusion from Rhodes. Respecting McClellan's opposition to the policy of the Administration on the negro question, Schouler says that he "was already in the toils of politicians opposed to the government in dealing with that difficult problem. This best explains his long dispatch to the President, dated July 7 from Harrison's Landing, but probably composed much earlier." Rhodes says, "there is no evidence that he maintained other than a passive attitude toward these political advances. His famous letter from Harrison's Landing was no partisan manifesto."

His estimate of Grant is highly appreciative. He says that "his preëminence appeared in the fertility of his resources, and the ease and quickness with which he adapted himself to a new situation, while holding tenaciously to the main purpose. . . . He had the best and broadest military temperament for aggressive warfare this continent has ever seen; he was the supreme and indispensable warrior for whom the Union cause long waited."

On one point it would appear that Mr. Schouler was not fully informed. Concerning the detention of the two iron-clad rams built in England for the Confederates, he says: "Meanwhile the two rams, more formidable than anything hitherto attempted on neutral

territory, approached completion; and, regardless of depositions the most convincing, Earl Russell advised Minister Adams, in September, that he could not interfere. 'It would be superfluous in me to point out to your lordship,' was Adams' sturdy rejoinder, 'that this is war.' That perilous climax brought the Palmerston ministry to its senses." This expresses the prevailing view as to the sequence and relation of events at that time, but Rhodes shows it to be incorrect. His account is briefly as follows. Earl Russell caused all the facts submitted to him to be sifted with care by the law officers of the Crown, and their opinion was decidedly that no legal ground existed for detaining the rams. But Earl Russell was not satisfied, and continued his inquiries, "leaving no stone unturned to arrive at the truth." This was during July and August. On September 1, he notified Minister Adams of the opinion pronounced by the law officers of the Crown, but promised to maintain a careful watch on the rams, and stop them if incriminating evidence was secured. (This letter did not reach Mr. Adams until 4 o'clock, Sept. 4.) On the same day, Sept. 1, the Under Secretary for Foreign Affairs, by direction of Earl Russell, wrote to certain officers of the government, "So much suspicion attaches to the iron-clad vessels at Birkenhead, that if sufficient evidence can be obtained to lead to the belief that they are intended for the Confederate States, Lord Russell thinks the vessels ought to be detained until further examination can be made." Two days later, on Sept. 3, Lord Russell directed that the iron-clad rams be stopped, and on the same day wrote to the Premier, Lord Palmerston, as follows: "My dear Palmerston,—The conduct of the gentlemen who have contracted for the two iron-clads at Birkenhead is so very suspicious that I have thought it necessary to direct that they should be detained. The Solicitor-General has been consulted, and concurs in the measure, as one of policy, though not of strict law. We shall thus test the law, and, if we have to pay damages, we have satisfied the opinion, which prevails here as well as in America, that that kind of neutral hostility should not be allowed to go on without some attempt to stop it. If you do not approve, pray appoint a Cabinet for Tuesday or Wednesday next." No cabinet meeting was called, which marks the concurrence of Palmerston.

During these four days, Sept. 1 to 3 inclusive, Russell and Adams were both out of town, and neither received any communication from the other. It was not until Sept. 5, when Adams had returned to London, and had received Russell's note of Sept. 1, but had not

yet heard of the detention of the rams, that he wrote his famous note, "it would be superfluous in me to point out to your lordship that this is war." Rhodes comments on the affair as follows: "From the whole correspondence it seems to me that he (Russell) was gradually working to the point of stopping the rams. The steps are exactly those which a very honorable man given somewhat to vacillation would take. The additional evidence which Adams sent to the Foreign Office had not yet reached him. . . . (For this action) the main reason seems to me to have been that, full of regret at the escape of the Alabama and her depredations, he was determined not to give our country another similar cause of offence."

This is a most important historical correction of the popular belief, manifestly supported by Schouler, that the British Government connived at depredations on our commerce, and only stopped the rams, at the last moment, under a threat of war from Mr. Adams.

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Ueber Einige Bestimmungsgründe des Arbeitslohnes. John C. Lembke. Pp. vi, 128. Jena: Gustav Fischer, 1899.

Zur Frage der Lohnermittelung. Eine methodologisch-kritische Untersuchung. Dr. Franz Eulenberg. Pp. vi, 150. Jena: Gustav Fischer, 1899.

Local Variations in Wages. By F. W. Lawrence, M.A., Fellow of Trinity College, Cambridge. Pp. viii, 90. London and New York, Longmans, Green & Co., 1899. (Studies in Economics and Political Science, edited by W. A. S. Hewins, Director of the London School of Economics and Political Science.)

These three monographs have for a common object a study of some phase of the wage question. The first is a theoretical discussion of the elements which determine wages in general, and is largely critical. The second and third belong together as dealing with wage statistics, the former being a study of method and almost wholly critical, the latter a carefully worked-out concrete investigation of a neglected statistical field. Each monograph has excellences of its own. The two German writers are careful students of the work of others, and seek by dispassionate discussion to eliminate the weak points and to emphasize the strong ones. The English writer has chosen to forego almost entirely theoretical discussion of his topic, and has confined himself for the most part to a first hand investigation of actual wages paid in selected towns of England.

Mr. Lembke's essay is divided into two parts; the first, a critical discussion of the wage doctrines of English and American writers; the second, positive contributions of his own. An idea of the range of his critical treatment is shown by his selection of authors for discussion: Walker, Marshall, Carver, Stuart Wood, Taussig and Henry George. His object apparently is to bring before German students the work of contemporary English and American economists. But in writing his doctor's thesis, the author is limited in his treatment of Americans to the materials of a few American books and the files of a single economic journal. An American student can appreciate the limited opportunities of a German who has only German libraries to depend upon, and who has never visited the ground. But it is unfortunate that the German reader on the subject of the American contributions to "distribution," should not have his attention called to Professor J. B. Clark, to whom is due the credit, so far as it belongs to any English-speaking man, of having originally worked out the theory of the final productivity of labor as the law of wages—a doctrine which, as usual, is attributed by Lembke to Marshall, and which is making its way as the common thought of all economists.

The positive contributions of Mr. Lembke consist in the contention that the subjective estimation of a laborer's worth to an employer determines wages for personal services; and that in case an employer hires with profit as an object, the price of the laborer's product determines the wages. As a whole the essay is interesting and intelligently written.

Dr. Eulenberg, who is a Privatdozent in the University of Leipzig, has given us an excellent critical discussion on method in the collection of statistics on wages. The study takes the form of an examination of statistical work done in many lands. For the purpose of reducing this immense material into workable order, and of distinguishing differences of principle, he divides statistical work into two classes, which he calls monographic and collective. Thus he groups together investigations of single industries, whether in single establishments, or spread over a narrow or wide territory. From these are distinguished investigations of the wages in different industries at the same time, irrespective of the territory covered. The work is systematically done. After discussing the methods actually employed in each case, he notes weaknesses and limitations and gives in regular order the general principles which should be observed in such work. It will, therefore, prove a very useful manual for those who are interested in the science of statistics, or who wish practical guidance in

actual statistical work. Certain parts of our own national census he reviews in detail, but he has little to commend. One example of census work in Massachusetts (1896-97) is discussed only to be set aside as practically useless. Since the author considers the work in Massachusetts as superior to that done in any other American commonwealth, the latter is beneath consideration.

The statistical work of Mr. F. W. Lawrence would, we believe, commend itself even to the critical eye of Dr. Eulenberg. The investigation was undertaken at the suggestion of Professor Marshall, and had the benefit of that economist's advice as to methods to be employed and objects to be sought. It is a systematic study of the striking variations which are seen in the same trade in passing from one English town to another. To eliminate as many elements of uncertainty as possible, the investigation is confined to England and Wales, and to the artisan class in industries in which the timework system prevails. The method, to use Professor Marshall's terminology, is both extensive and intensive. Thus immediate conclusions are drawn from a large number of statistics, while inferences of a more general application are derived from more detailed information. In Part I, the extensive method is used. The building trades were chosen for investigation because they are found in every town. The wages of masons, bricklayers, plasterers and plumbers are represented on a large chart, which is very convenient as a basis for study and discussion.

The differences of wages in these trades in the seventy-six towns studied is most startling. What we should expect, when wages are high in one trade, they are high in another; but what might not be expected, the greater the population as between cities, the higher are the wages. These are the facts. The attempt to discover the causes is made in Part II. In a general way it is sought to discover whether the effects are only accidental or are due to economic causes, or to some differences in the quality of the population. To this end Mr. Lawrence carefully prepared a set of questions and conducted the enquiry in person. The results are graphically presented for each of the building, printing, and iron trades. The conclusions may not be as positive as was hoped for, but the discussion is conducted in so cautious and conservative a spirit, that the student feels that he is not being deceived; and that is very important in a statistical investigation. The essay is recommended as a valuable piece of work, and as one which is worthy of imitation by Americans in the study of similar problems in the United States.

J. W. CROOK.

Amherst College.

First Principles in Politics. By William Samuel Lilly, Honorary Fellow of Peterhouse, Cambridge. New York: G. P. Putnam's Sons, 1899. 8vo, 322 pp.

Mr. Montague Crackenthorpe has described Mr. Lilly as a "delightful and discursive writer." His authorship has run over a wide field, and readers of the present volume will find much in it which is little but a repetition of what they may have seen in his *Chapters in European History, Right and Wrong*, or *Shibboleths*. He gives us a thoroughly English book. It is the expression of the political ideas of a Conservative, a university man, a churchman. Starting with the position that right and wrong are absolute conceptions, neither the will of God being the determinative source of moral quality, nor utility being the proper spring of action, he finds the state on what inheres in the personality of man (p. 9). Justice is the law of his nature. Nothing is truly law which is not necessary, and to be found stamped by nature upon all that is, and therefore upon the human intellect (p. 3). The *Zeitgeist* of our age is anarchy (p. 5). Our current laws of conduct are mere corollaries to our laws of comfort (p. 1). We look on the state "as a sort of huge insurance society, the taxes being the premium" (p. 29), which we fashion to suit ourselves. On the contrary, civil society is an institution of God. Its only natural form is monarchy (p. 16). Private property is justifiable solely as a social reward, necessary for the explication of personality (p. 42). But it is always fiduciary. The state has an interest in it. It is a right of the secondary order. The right to exist is higher. Consequently it may be ethically just for a starving man to wrest food from another.

As the state is an expression of aggregated personality, every member of it has a natural right, not to an equal share of political influence, but to a share corresponding with his personality (p. 46). The ballot is the enemy of this right. Its secrecy destroys the responsibility of the fiduciary to whom the privilege of suffrage has been conceded (p. 47). Universal suffrage is another enemy, unless it goes, as in Belgium, with a multiplication of votes for the more worthy. Representative government must represent interests, classes, institutions, rather than individuals. The Reform Bill destroyed this for England and did her in this a great mischief (p. 141). If the Reichstag had any considerable legislative power, this vice in its composition would undermine the empire (pp. 144, 204). Manhood suffrage belongs to a false democracy. Its evils

are well exemplified in the United States (p. 204). There it is the "bosses" who really rule. The Senate is an assembly of plutocrats. The House is largely composed of men without any visible means of subsistence, but "the beggarly stipend attached to their office" (p. 209). Mr. Lilly was probably not aware that our congressmen receive \$5,000 a year, and that each has a well-salaried clerk of his own.

But the *morbis democraticus* is not the only disease of modern governments. All representative assemblies tend toward absolutism. Their proper business is to supervise the administration. Instead of this they are forever trying to be the administration (p. 160). And, deeper than this, lies the evil of false national ideas. Peace is thought an end to strive for, whereas "war, not peace, is the law of life," and the first function of the state is to be ready for it at all times (p. 54). The military service ought to be as rigorously exacted of all in England as it is in Germany (p. 103).

Only one service is everywhere universal—the industrial—and labor has lost its proper environment. Mr. Lilly follows Hitze in declaring the great problem of the day to be to find a social organization corresponding to modern conditions of production as well as that of the middle ages corresponded with the conditions of production existing then (p. 114). Trades Unions have justice on their side. But they engender and perpetuate a spirit of hostility towards employers (p. 105), and in the end towards the community (p. 106). Patriotism falls before them. In the middle ages, a man at least loved his church, and his church was part of his government. The various religious foundations which Henry VIII swept out of existence were so many "benefit societies," or "great institutions of thrift and self-help" (p. 128). England, up to that time, had looked after her toilers in this way, and it was right. Labor is no mere affair of private order. It is a function delegated by society. The peasant and artisan are true functionaries of the state, and must be kept as such in the close relationship to it of reciprocal obligation (p. 101). Their labor contracts must be supervised and perhaps restricted in the public interest. Freedom of contract is freedom to enter into a binding agreement for the diminution of personal liberty, and beyond a certain point the state cannot safely permit such a diminution (p. 89).

As for an established church, this is for Englishmen no *a priori* question. They have one, and it is justified, if for nothing else, as

an instrument for the idealizing of life (p. 65). Napoleon was right in declaring that man was to be governed only through the imagination. Loyalty to established institutions works through the imagination, and is the sheet anchor of life (p. 164). More than ever is it to be cultivated in these days when the newspaper is insidiously and steadily de-ethicising public life (p. 225).

The volume concludes with a just criticism upon the so-called humanitarian school of modern penology, emphasized by reference to the experience of the author as a district magistrate in British India (p. 290). He believes in whipping for many offences. "The lash is eminently fitted to bring home—say, to the garroter, the anti-social nature of garroting" (p. 294). A third conviction he would have stamp a man as an habitual criminal, and reduce him to a state of industrial serfdom for life (p. 200).

No one can read what Mr. Lilly says on any topic without being struck with the force and sincerity of the man. This book is one of his best.

SIMEON E. BALDWIN.

Yale University.

The Economic Writings of Sir William Petty. Together with the Observations upon the Bills of Mortality, more probably by Captain John Graunt, edited by Charles Henry Hull, Ph.D., Cornell University. Cambridge, at the University Press, 1899—8vo, two volumes, xci, 700 pp.

With the growth of the historical school in economics, and the consequent tendency towards a more careful and sympathetic study of writers on economic topics before Adam Smith, there has been a growing demand for the republication in properly edited form of the more important writings of the English economists of the seventeenth century, which have long been practically inaccessible to the ordinary student. With the exception of Mun's *England's Treasure by Foreign Trade* in Professor Ashley's series of economic classics, the two volumes before us constitute the first attempt to supply this demand. They contain, in addition to all Petty's previously published economic writings, an extensive *Treatise of Ireland*, written in 1687, with the purpose of influencing the policy of James II, and now for the first time printed. This paper is devoted principally to a defence of the rather startling proposition that 1,000,000 of the population of Ireland, estimated at 1,300,000, be transplanted to England and that Ireland be reduced to a grazing

country pure and simple. Incidentally some valuable information is given in regard to economic conditions in Ireland at a period subsequent to the writing of the *Political Anatomy*.

With Petty's writings is also included the *Observations upon the Bills of Mortality* which, after a careful analysis of the evidence is, rightly it seems to us, attributed to Graunt, although it may well be that Petty had some share in the work as adviser, and it is not improbable, as Professor Hull hints, that he may even have added certain paragraphs, particularly the conclusion, by way of embellishment. That the editor's conclusion on the question of authorship did not lead him to omit the *Observations* is a matter for congratulation, since it constitutes certainly not the least valuable portion of the volumes, and, aside from the real value of the material it contains, must always have great interest for students as furnishing one of the starting points of the modern science of statistics.

With the exception of the *Treatise of Ireland*, the most authentic printed editions have been used as the basis of the present reprints, but in the case of writings of which manuscript copies exist (and in several cases there are manuscript copies corrected by Petty himself), the points of difference between the printed and the manuscript copy are pointed out. Professor Hull has performed his work with great thoroughness and, there is every reason to believe, with great accuracy. He has, furthermore, shown sound judgment in what he has left undone as well as in what he has done. He has made no attempt to estimate the value of Petty's work from the standpoint of economic theory. Such an attempt, he truly says, would involve asking what Petty "thought about problems concerning which it never occurred to him to think at all." With the possible exception of the *Quantulumcunque concerning Money*, in which Petty shows a very clear understanding of many points in the theory of money, his thoughts on questions of economic theory are scattered, not worked out, and form no organic part of the arguments in connection with which they occur. He was a man with keen powers of observation in economic matters, with a talent for estimates and calculations in terms of "number, weight and measure," and a deep interest in practical questions of public policy. If we are to make comparisons with modern writers, it would be much more true to speak of him as the Mulhall, the Atkinson, or possibly the Wells, than as the Adam Smith, of the seventeenth century. He showed more breadth of view, more liberal tendencies, and a

truer insight into economic conditions than did most of his contemporaries, and in opposition to the pessimism so common at the time in regard to England's industrial condition and prospects he displayed a vigorous optimism, maintaining not only that progress had been the rule, but also the opportunity for indefinite progress in the future if only wise policies were followed. The value of his work lies in the picture which it affords of the economic conditions (particularly in Ireland) and problems of the time and the manner in which they were approached by a keen observer and progressive and vigorous thinker, closely connected with public affairs, rather than in any contribution to economic theory.

In addition to the text the volumes contain a number of critical essays by the editor and abundant notes which not only throw light on the text but constitute an important contribution towards a clear understanding and right estimate of the character and value of the work of the two authors. Professor Hull has earned the gratitude of students for his thorough performance of what must have been in many ways a very arduous task, and we can only hope that the financial results will be such as to justify others in doing a similar work for some of Petty's contemporaries.

HENRY B. GARDNER.

Brown University.

La Concentration des Forces Ouvrières dans l'Amérique du Nord.

By Louis Vigouroux, professor d'économie politique à l'École spéciale d'Architecture, avec une préface de M. Paul de Rousiers. Bibliothèque du Musée Social. Paris. Armand Colin et Cie, 1899—pp. xxvi, 362.

The Musée Social has undertaken, in accordance with the plans of its public-spirited founder, the late Comte de Chambrun, to study social conditions in various countries. This it has done in part by means of commissions of experts, sent out from headquarters to investigate and report upon the topic in question. One such commission, consisting of five gentlemen, visited England a few years ago in order to examine the trade-unions of that country and published a book on the subject in 1897. The present study, which forms a companion volume to *Le Trade-unionisme en Angleterre* is the work of a single author, but is preceded by an introduction from the pen of M. Paul de Rousiers, the head of the commission sent to England, who compares briefly the labor organizations in the two countries, and thus gives a certain unity to the two investigations.

in which the laborer is to be seen. The author's view is that the time is past when it is possible to believe that a laborer's wage is determined by his skill alone. He says: "The wage of a laborer is the result of the sum of all the factors which enter into the production of the product he produces." This is a very plausible theory, but it is not the whole truth. The author believes in the importance of wages of labor, and in their greater wages of organized labor over unorganized labor. He says: "It can be seen that the organization of groups of labor, and a large centralized organization, is important because it helps wage labor to increase its wage, and part of the earnings of labor to be shared with it." In general, we may say that wages of organized labor are not so great as those of unorganized labor, and yet are not so small. While the author has presented a very logical and plausible summary of the recent labor situation in the United States, his main conclusion is that the brilliant side of his analysis has been entirely belied. Does it follow from this that there is no advantage of the trade unions? Not at all. The author's important "L'Esprit d'Amérique," and his "Précis," both indicate the functions which might have been lost through disorganization. Most of the ground covered by the author's argument has already been covered by Professor Leibnitz, in his chapter of his book devoted to labor organization. But the author's part of the whole study seems to us the short-sighted, discreditable, fiscal considerations. In reply to the question whether trade unions have improved the material and moral conditions of American working men, he says confidently: *Oui, sans aucun doute.* It is instead of proving his assertion, he expressly declines to enter into the statistical and theoretical study absolutely necessary in order to justify any conclusions, one way or the other. In another portion of the same chapter, he suggests that the consumer will perhaps sometime pay the cost of an understanding between organized labor and organized capital, and this seems to imply that in those cases, at least, the higher wages attributed to the union are gained at the expense of the consumer, which usually means the laboring classes themselves. In that case the higher wages would be

obtained by those who are organized at the expense of those who are not organized, and to speak of trade-unions causing the material improvement of the laborers as a whole would no longer be justified. This point is made, not in order to disprove the statement made by M. Vigouroux, but in order to show that the question of the exact economic benefit of trade-unions, though very positive views are expressed upon it, especially by those who are interested in the movement, is in reality one of the most complex in the range of applied economics, and that a scientific author should be careful not to make absolute statements on the subject unless he is prepared to marshal his proofs fully and in detail. The value of the book would also have been enhanced by more copious bibliographical notes and by an alphabetical index.

H. W. F.

The Elements of Public Finance, including The Monetary System of the United States. By W. M. Daniels, M.A., Professor of Political Economy in Princeton University. New York, H. Holt & Co., 1899—8vo, vii, 383 pp.

During the last dozen years there have been some notable contributions to the science of public finance by American economists. Some have with more or less success restated the general principles of the science as constructed by the European, especially the German, authorities; others have contributed to this department of applied economics an analysis of the fiscal legislation and operations of our own country. The book before us combines these two points of view. As far as it aims to present a philosophy of government revenue and expenditure, it does not represent an advance on former works. The third chapter, on taxation: its equitable distribution, for instance, contains the usual eclectic compilation of theories that have been offered to "justify" taxation. Similarly the treatment of theories of public expenditure is unsatisfactory. However, the author's handling of the difficult and abstruse subject of the incidence of taxation, and the bearing upon it of production under competitive or under monopoly conditions, is much more satisfactory and suggestive.

In the treatment of the concrete fiscal experiences of the United States the author is at his best. It is to such lines of investigation that American economists should turn with the assurance that their results will both enrich the literature of public finance and inciden-

tally increase the popular interest in that important branch of economics. Professor Daniel's has sketched in outline, and sometimes in greater detail, the leading fiscal problems which our varied experience in the federal, State and city governments of the United States presents.

For instance, one chapter deals lucidly with federal budgetary legislation, which, in so many ways, epitomizes the difference between our methods of government and those of Europe. Then, again, our peculiar experiences in federal indirect taxation are made the subject of two interesting chapters, which note, especially, the mixture of protective and revenue motives in our tariff policy, the uncertainty of our customs revenue and the relatively important part the latter plays in our revenue system. It will be remembered that of all the important countries of the world, the United States and the other American republics stand first in their dependence upon their revenue from import duties. Then, our checkered career with the internal revenue system furnishes most attractive material for the study of indirect taxes, especially those on the consumption of spirits, the analysis of which made the late David A. Wells famous a generation ago.

The financial system of the State governments offers problems in the taxation, especially of personal property, peculiar to the United States, in which the taxation of corporate property seems destined to become the more or less exclusive concern of State legislation. In dealing with local and, in particular, with municipal taxation, the author is chiefly concerned with the valuation and taxation of real estate. The defects of the general property tax and its trend toward a real property tax are concisely and lucidly pointed out. It is to be regretted that this and the other peculiarly American fiscal problems are not elaborated. Much has been written about our antiquated property tax, but few writers analyse its true essence. As long as American cities are growing rapidly, the heavy municipal taxes we pay are an investment from which we expect returns in the shape of increased value of our land and houses. We are reconciled to the burden in the belief that we are anticipating, if not effecting, a rise in their value. The subject of municipal debts is also best approached from this standpoint.

J. C. S.

A History of Egypt under the Ptolemaic Dynasty. By J. P. Mahaffy. 8°, pp. xiii + 261; *A History of Egypt under Roman Rule.* By J. Grafton Milne, pp. xiii + 262. Charles Scribner's Sons, New York, 1898-1899.

The first of these volumes is the fourth in a series of six which are to comprise a complete history of Egypt from the first dynasty through the period of Arabic rule. The first three volumes have been prepared by Mr. W. F. M. Petrie, who has generously assisted also in the preparation and illustration of this volume. The text is, in the main, a recasting of that of Professor Mahaffy's "Empire of the Ptolemies" (London, Macmillan, 1895). The arrangement of chapters differs somewhat, and the new material which has come to hand during the intervening four years has been conscientiously incorporated. The earlier and much larger volume had few illustrations, and those confined to Ptolemaic cartouches and coins. The present volume has no less than seventy-nine excellent illustrations, including notable monuments of all kinds, as well as a much fuller array of cartouches and coins. Each chapter is also headed with a helpful list of authorities, ancient and modern. The book gains distinctly over the earlier work from the condensation practiced in it, and the author's touch is often surer, even in dubious questions, than it was before. It is a welcome and exceedingly satisfactory manual for the period which it covers, from the hand of a scholar who is making the field here represented more and more securely his own.

The problems confronting a historian of the period covered by Mr. Milne's volume are more perplexing, perhaps, and the results of the most assiduous collation of the all too scanty material, outside of papyri and monuments, more meager than for any period of Egyptian history since the seventh century B.C. "The story of Egypt during the centuries of Roman rule is not, and probably never can be, anything like a connected narrative. . . . For the most part, events in Egypt were too monotonously uninteresting for the historians of the Roman Empire to pay any attention to them." It is for just this reason that the service rendered by this little volume is out of all proportion to its size and to the length of its often fragmentary chapters. An idea of the sources of information laid under contribution may be had from the list of authorities for the bare page of text on Egypt under Tiberius. They are (p. 24): Buildings, Inscriptions, Ostraka, Papyri, and Miscellaneous Monuments. The masses of still unedited papyri make it reasonable to

hope that many of the tantalizing meager chapters of this work may sometime be enriched with new material. At present the editor has often been called upon to make bricks without straw. It is only fair to say that he has always resisted the temptation to say something, when there was absolutely nothing to say, with rare self-control.

The indebtedness of this volume to Mr. Petrie is even greater than that of the fourth volume. This also, but with almost double generosity, contains illustrations which are varied, clear, and pertinently helpful. The list of half-tones and wood-cuts numbers one hundred and forty-three. Both volumes have interesting and valuable appendices, both good indices, and Vol. IV, a copy, by permission, of Botti's new map of ancient Alexandria. Both volumes are good evidence of the satisfactory way in which English scholars are improving the opportunities afforded them by the English occupation of Egypt.

B. PERRIN.

Yale University.

The Philadelphia Negro. A Social Study. By W. E. Burghardt DuBois, Ph.D. Together with a special report on domestic service, by Isabel Eaton, A.M. Publications of the University of Pennsylvania; Series in Political Economy and Public Law. Philadelphia, published for the University, 1899—8vo, pp. xx, 520.

The Future of the American Negro. By Booker T. Washington. Boston, Small, Maynard & Co., 1899—16mo, pp. x, 244.

The first of these works is not merely a credit to its author and to the race of which he is a member; it is a credit to American scholarship, and a distinct and valuable addition to the world's stock of knowledge concerning an important and obscure theme. It is the sort of book of which we have too few, and of which it is impossible that one should have too many. That the "negro problem" is among the gravest and most involved, and difficult, of American life, is increasingly obvious; it ought by this time to be equally obvious that we can derive no considerable help toward its solution from the sentimental or prejudiced writings which abound, both north and south, on the subject. Here is an inquiry, covering a specific field and a considerable period of time, and prosecuted with candor, thoroughness, and critical judgment, its results being interpreted with intelligence and sympathy. We have no space to report or discuss the contents of the work, but we have long held that it is in monographs like this that we shall be likely

to find the most trustworthy help in solving our great racial problem. If a similar study could be made in a score of cities, in various parts of the country, and in particular rural districts of the south, a basis of accurate and detailed knowledge concerning the condition of the race would be laid, on which conclusions could safely be founded.

Mr. Washington's work is not that of a scholar, but of a shrewd, sane and tactful leader of the people and administrator of affairs. He knows both races, and both sections of the country, and seeks to be a mediator between extreme opinions and programs. His book is a contribution, not to knowledge, but to that good temper and good sense which is perhaps of equal importance.

W. F. B.

Zur Geschichte und Politik des Verkehrswesens. By Gustav Cohn.
Stuttgart, Ferdinand Enke, 1900. Octavo, 524 pp.

Those who have followed the recent writings of Gustav Cohn in various economic periodicals, know how original and suggestive is his treatment of every subject which he touches. In the volume before us he has collected a number of these papers to serve, as he modestly says in his preface, as a sort of appendix to the third volume of his "System of Political Economy."

Of the nine essays contained in the book, seven deal with problems of transportation. These constitute the really solid and valuable part of the work. Whether in dealing with the policy of the English government or with the conditions governing competition between railroads and water routes, Cohn stands unrivalled in the range of his information and the keen insight of his mind. Less profound perhaps, but more popular, and very useful in its present day suggestions, is his article on pools. He shows here in even greater relief than he has shown elsewhere, the similarity of the evils now complained of to those which have existed in past decades and even in past centuries. The only article whose inclusion we really regret is that which deals with the theory of political economy in England and America at the present day. Not that this shows any want of appreciation of what is here being done—quite the contrary; but that in this so rapidly moving world of literature, an article which is timely and well proportioned at one moment becomes antiquated or imperfect very soon afterward. It is for the reader of the day, who reads magazines, rather than for that more permanent audience which reads books.

A. T. H.

The Life and Campaigns of Alexander Leslie, First Earl of Leven.

By Charles Sanford Terry, M.A., University Lecturer in History in the University of Aberdeen. London, New York and Bombay: Longmans, Green & Co., 1899—pp. 518.

This work is essentially a military history, not a biography as its title would indicate. The authentic memorials of Leven's career are too meager and too prosaic to admit of a character study. This fact Mr. Terry realizes, and states that his aim was "less to offer a study of individual character than to illustrate that phase in the relations between England and Scotland which Leslie's career represents." Had the biographical element been omitted, Leven would still be without a biography, but a work of considerable value would not have been marred by lack of unity of presentation, nor by the unnecessary obtrusion of an impersonal actor into the foreground.

Notwithstanding, as a military history Mr. Terry's book is a success. It fills the gap left in Scottish annals by the absence of a specific account of the part played in the great civil war in England by the Army of the Covenant from its entrance in 1644 to its memorable surrender of Charles I. to the Commissioners of the English Parliament at Newcastle.

Especially noteworthy are the chapters on Marston Moor, and the King and the Scottish army.

In appendices are printed contemporary narratives of Newburn fight (1640), of Marston Moor, and of the Dunbar campaign. Some of these have never before been published, others have never appeared in a place so accessible or a grouping so convenient. Especially to be mentioned are the numerous documents printed from the King's Pamphlets in the British Museum—among them Simeon Ash's "Continuation of True Intelligence"—and the "Diary of Mr. Robert Douglas," Leven's chaplain, an authority not heretofore used and not mentioned in Mr. C. H. Firth's masterly paper on the battle of Marston Moor published in the twelfth volume of the *Transactions of the Royal Historical Society*.

Mr. Terry's style is clear and pleasant, the work of the printer leaves nothing to be desired, the index is full and accurate, and the use of the book is facilitated by a number of valuable maps.

O. H. RICHARDSON.

Yale University.

RECENT LITERATURE.

The County Palatine of Durham: A Study in Constitutional History; by Gaillard Thomas Lapsley, Ph.D., (Longmans, Green & Co., New York), like most of its predecessors in the Harvard Historical series, seems to have had its inception in a thesis for the degree of Doctor of Philosophy, and partakes in consequence largely of the characteristics of that class of work. It is not, of course, in any sense a history of Durham and lacks, unfortunately, any historical sketch of the county to which the reader who has not the history of Durham at his finger ends might refer to lighten his way through the more or less obscure paths of legal and constitutional detail with which the volume is chiefly concerned. Though too highly technical for any but a student of mediæval law and constitution to read with pleasure or even profit, it is a very useful contribution toward lightening the slowly disappearing obscurity of those subjects. It traces out with careful and painstaking minuteness the constitutional, legal and administrative status and organization of the county, and of its officials, chiefly in the thirteenth, fourteenth, and fifteenth centuries, forming an excellent comparative and critical presentment of a mediæval franchise, and throwing much light on the organization and administration of such a district as well as its relations to the central government, which in the case of England at least has not been done before. The work is a variation on two themes, the mediæval dicta, first, that the Bishop of Durham was as king within the County Palatine; and second, that the Bishop of Durham had a two-fold status, that of bishop with respect to spiritual concerns, and that of count palatine with respect to temporalities. To define and illustrate these dicta and the resulting position of Durham jurisdiction and administration, Mr. Lapsley adduces some three hundred and fifty pages of historical illustration, legal precedent and procedure, chiefly covering the period between the reign of Henry II and the sixteenth century, with excursions from time to time on the one side or the other of those dates. Durham, in the author's words, was chosen as a subject of the study, first, because it best represents the palatine jurisdiction (shown also in Chester and Lancashire) most nearly corresponding to the great fiefs of mediæval France, and as such "constitutes a striking exception to all generaliza-

tions about English feudalism," thus having a value in respect to the feudal history of England. Secondly, the problems arising out of the collisions of the special jurisdictions, with the national administration of justice and the solutions of these difficulties, "form an interesting chapter in the history of English law and are of value also as illustrating the fashion in which the principles of the common law were interpreted to meet highly exceptional cases and to formulate new rules of law. "To the historian, one of the most interesting parts of the book must be the latest statement of the origin of the County Palatine." Putting aside the view that it was created by specific royal act, either of Alfred or William I, Mr. Lapsley accepts Hardy's conclusion that the Palatinate had no more definite origin than that of slow accretions of territory and jurisdiction by the see of Durham before the Conquest. Certain immunities may have been due to some survival of Northumbrian independence, further enhanced by the position of Durham as a border county over against the Scots, all these being largely increased after the Conquest. Finally to come to Mr. Lapsley's own specific contention, these immunities were not only maintained but actually as well as relatively increased by the influence and ambition of Bishop Pudsey during the time when most feudal privileges suffered their severest losses, namely in the reign of Henry II. Space forbids following Mr. Lapsley's careful study of the details of Palatine administration, which includes the bishop and his regality, the state and household officers of the palatinate, the assembly and the bishop's council, the judiciary, both in its local aspect and its relation to the national or royal judiciary, as well as the financial, military and naval arrangements of the county. This exhaustive presentment of a mediæval franchise is further enlarged by four appendices and an excellent index. It is unfortunate in this as in so many such cases that the investigator has so far overshadowed the author that the style is not above reproach.

If such a *résumé* as C. W. Oman's *England in the Nineteenth Century* (Longmans, New York) is to serve its real purpose it must not simply be well arranged and readable; it should present the results of scholarly investigation, and should be free from partisanship and provincialism. But this little book at every turn supports an untroubled British self-esteem. Sometimes this happens by what is left out, rather than by what is actually said. Judicious paring here and there would have enabled the writer to insert a juster view of what other people did in the events he describes, without unduly extending the narrative.

For example, no credit beyond timely "pressure" is given Blücher for the final success at Waterloo, and Wellington's initial blunder in the campaign is ignored. Occasionally there is actual misstatement, as when the United States authorities are said to have yielded in the Trent affair only after a "a long and acrid controversy." And by the Convention of Cyprus the English are made to guarantee that the long promised reforms would be carried out in Armenia. The Armenian massacres are also twice said to have occurred in 1897.

The late Ulick Ralph Burke's interesting and scholarly History of Spain from the Earliest Times to the Death of Ferdinand the Catholic has been reissued in a cheaper form under the editorial care of Martin A. S. Hume (Longmans, Green & Co., New York). Major Hume has supplied an introduction and frequent notes explanatory and bibliographical.

Burke's work, although peculiar in structure and uneven in execution, is the best history of Spain in English for the period it covers. The later period has now been occupied by Major Hume in his two works: *Spain, its Greatness and Decay, 1479-1788*, and *Modern Spain, 1788-1898* (*Story of the Nations*: G. P. Putnam's Sons, New York), so that in four handy volumes the English reader now has for the first time in half a century the story of Spain from the beginning to the present day in a narrative abreast of modern knowledge. Major Hume's intimate acquaintance with Spain through long residence and family connections gives his account of Modern Spain great vividness and freshness. On matters outside of Spain his step is less sure, as when on p. 492 he gives the reasons why President Grant did not recognize the Cubans as belligerents. Grant himself was in favor of doing so, but the opposition of Senator Sumner was effectual. The critical moment was in Grant's first term, not his second, as the author says. Major Hume affirms of his own knowledge that General Prim was willing to grant Cuba independence provided the Cubans would lay down their arms and the United States guarantee an indemnity to Spain.

The life of Alexander the Great by Prof. Benjamin I. Wheeler, which was published in the *Century Magazine* last year, has now been issued as one of the Heroes of the Nations Series (G. P. Putnam's Sons, New York). The two chapters on "The Old Greece, 336 B. C." and "Old Greece—its Political Organizations, 336 B. C." are admirable examples of a fresh and suggestive exposition of a familiar theme and make the student regret that a college

presidency has diverted Professor Wheeler from the field of ancient history which has received so scant attention from American scholars. The promise of these earlier chapters is redeemed in the later ones and the biography as a whole unfolds a vivid picture of the expansion of the old Greek world and brings into strong relief its significance in the history of European civilization.

Mr. Noah Brooks' Life of Henry Knox (*American Men of Energy*: G. P. Putnam's Sons, New York) deserves more than ordinary attention from the fact that it is based on hitherto unprinted material preserved in the Knox Papers in the custody of The New England Historic Genealogical Society. The extracts from General Knox's letters are not only good reading but in many instances make a valuable addition to our available evidence on the period. Mr. Brooks has used his material with skill and written an unusually interesting book about a man whose career and character by one chance and another have failed hitherto to receive adequate treatment in a form accessible to the general public. One slip may be noted: on p. 237, Duer is said to have been "the writer of at least three papers in *The Federalist*." It was the plan that he should contribute to the series, but the three short papers that he wrote have never been included in the collected editions of *The Federalist* as a part of the text. J. C. Hamilton printed them in an appendix in his edition.

Judge Landon has brought out a new edition of his interesting and useful lectures on The Constitutional History and Government of The United States (Houghton, Mifflin & Co., Boston). The chapters on the colonial period are extended and the most recent steps in our development are briefly touched upon. On the constitutional aspects of the Porto Rican and Philippine questions he gives expression to a cautious conservatism. As Congress has "power to dispose of and make all needful rules and regulations respecting the territory and other property belonging to the United States," the author succinctly describes our new islands as "territories to be 'disposed of' under the constitution." In the note on p. 29, the unauthenticated Mecklenburgh Resolves of May 20, 1775, are quoted without question, and in that on p. 159 a letter of John Trumbull, the artist, is attributed to his father, the Governor of Connecticut.

Professor John Bascom's *The Growth of Nationality in the United States* (New York, G. P. Putnam's Sons), is in the form of a study of a series of conflicts, either completed or still in progress, out of

which has emerged a strong sense of nationality in the United States. These conflicts are four in number. First, the strife between the States and the United States. Second, the strife between groups of States for control. These, at least in the South, formed a continuous movement culminating in the civil war, and ending in the settlements reached during the reconstruction period. Third, the strife between departments which culminated in the contest between President Johnson and Congress, and has never been a very serious or disturbing one. Fourth, the strife between classes which is now going on, and is far more important than any which have preceded it. "We have now to settle what has not been settled in human history—the terms under which men can happily labor with each other in behalf of and in submission to the public welfare."

The Regeneration of the United States, a forecast of its Industrial Evolution (New York, G. P. Putnam's Sons, 1899), by William Morton Grinnell, consists of (1) an idealistic picture of our early history; (2) an unsound diagnosis of present conditions and tendencies, and (3) a fanciful and highly improbable prophetic forecast of its future evolution. Under the concurrent action of two forces, imperialism and centralization, the nation degenerates into the most sordid materialism. Colonial expansion involves us in a vital struggle with Russia and Germany. The result is that "within three months from the outbreak of the war the United States had lost her colonies, and the great seaboard cities of the country proper were in the hands of the enemy. Modern warfare had become more than ever essentially and primarily a question of money and the principal sea-coast cities instead of being bombarded were simply bonded"—an outcome not so very new and novel after all. The Nation is chastened by its defeat, the old pristine virtues are revived and through the re-establishment of the long neglected principles of coöperation and individualism the regeneration is complete. Despite its wealth of fantasy, there is, partially concealed here and there by rhetorical extravagance, much that is sound though little that is really new.

Aline Gorren's *Anglo-Saxons and Others* (Charles Scribner's Sons, New York) is made up of a series of brilliant essays on the psychology of the Latin and Teutonic peoples. Their standards of morals, their interpretations of life and of civilization, their differences of temperament, the contrast of their ideals are penetratingly analyzed and set forth in a style remarkable for freshness and

vigor. The author draws illustrations from an unusually wide range of reading and observation. In a sense the book is a reply to M. Demolin's *Causes of Anglo-Saxon Superiority*. The chapters on *The New Empire* and *Anglo-Saxon Humanitarianism* are an especially wholesome and suggestive criticism of contemporary history.

Practical Agitation, by John Jay Chapman (Charles Scribner's Sons) is a trenchant analysis of the power of individual character in social progress, demonstrating that the things that infuse life and motion into inert social groups are personal courage of conviction, integrity and uncompromising insistence. These compel thought and inquiry and bring about a change in the standards of the community. These vigorous essays not only clear the air of contemporary political discussion but bring out into relief the real function of the radical agitator in past reform movements like abolition.

Far different in tone and in standpoint is Mr. Lecky's careful weighing of pros and cons in the questions of public and private conduct which he discusses in his *Map of Life* (Longmans, Green & Co., New York), which may be described as an attempt to chart the path of prudent and justifiable compromise. The student of politics will naturally turn to the chapters on "Moral Compromise in Politics," which considers the measure of surrender of private convictions involved in government by party, and to the chapter on "The Statesman," which takes up war, annexation, *coups d'états*, etc.

The new matter in the third edition of "Baker's Monopolies and the People" (G. P. Putnam's Sons, New York) is largely devoted to tracing the development of the "Trusts" during the ten years since the first edition appeared, to a discussion of some of the evils that accompany the "Trusts" *régime*, and plans for the control of real monopolies. It will be remembered that in 1889, Mr. Baker, writing from the standpoint of a man of affairs, had seen the folly of merely restrictive legislation; that he advocated the government ownership of the means of transportation and communication to be operated by private parties under the lease system; that he favored the legalization of combinations to be accompanied by full publicity as to the affairs of the monopoly; that he insisted strenuously upon the requirement of the policy of non-discrimination among localities and individuals, and that he favored a re-organization of our corporation laws to the end that legitimate interests might not be sacrificed in the interest of a favored few. In the

third edition Mr. Baker substantially reaffirms the program that he announced in the first. He elaborates his plan of government representation upon the board of directors of monopolistic corporations and combinations, and would further require an internal revenue tax on the transfer of securities of sufficient amount to prevent their transfer for purely stock gambling purposes. The efficacy of the last two proposals may well be questioned. A tax low enough so that it would not interfere with legitimate investment would be no sufficient barrier to stock gambling when the wide fluctuations promised large rewards upon small risks. The successful physician strikes at the cause of the disease; the cause of stock gambling is unstable market value of the securities. Financial and industrial stability prevents stock speculation by removing the cause. When Mr. Baker advocates government representation upon the board of directors "to see that the affairs of the company are conducted in the public interest as well as in the interest of the stockholders" his purpose is certainly laudable; the method, however, is open to discussion. Mr. Baker finds in the absolute divorce of ownership and control one of the greatest evils of our modern gigantic corporations. Yet it is extremely doubtful, to say the least, if this divorce has reached the extent that marks the separation of our government from the State. We must first secure political responsibility from our public servants, then we may feel safe in entrusting our economic interests to their hands.

A third edition of J. C. Graham's useful manual on "Taxation and Local Government in England" (London, P. S. King & Son, 1899) has been revised and enlarged by M. D. Warmington. Both Mr. Graham and Mr. Warmington are barristers at-law, and as one might expect, the manual is devoted to facts rather than to theory. Theoretical considerations are not wholly lacking, especially regarding the incidence of the local taxes on the occupiers of real property. The historical treatment of local government, though very brief, is of value for one who wants merely an outline, such as a handbook of this sort can furnish. The chief value of the work lies, however, in the careful summary of the powers and duties of the local authorities collected from widely scattered sources and condensed into a convenient form for ready reference.

The little handbook on Statistical Methods, by Dr. C. B. Davenport (John Wiley, New York, 1899, pp. 150), is a revelation to the lay mind of the progress made in this science. Within a small

compass is presented a very complete outline of modern methods, as adapted to the study of biological variation. The results of Professor Karl Pearson and others are given in brief, and there is a bibliography and a very good selection of tables for use in computation. One wishes that the book were larger, in order that the methods might be presented more fully, and that these valuable tables might be more legible. As they are, no amount of ease or accuracy in the computation of "coefficients of correlation" could compensate for the loss of eyesight involved.

Dr. Daniel Folkmar's *Leçons d'Anthropologie Philosophique, ses applications à la Morale Positive* (Schleicher Frères Éditeurs, Paris, 1900) is a rather ambitious attempt to classify the sciences and to demonstrate "the possibility of an adequate system of ethics based upon determinism and positivism, nay, even upon materialism." It abounds in dicta of various sorts which would more properly be submitted to the criticism of the metaphysician than to that of the economist or sociologist. Several new terms are developed, such as "*anthrospostatique*," "*anthropodynamique*," "*praxéologie*," etc.

The author puts forth his ideas as hypotheses to be verified, modified or disproved by the subsequent advance of thought. Such expansion of the dogmatic side of a new science or group of sciences is to be deplored, in the face of the fact that whole ranges of social phenomena remain as yet unworked and unsystematized. Generalizations and classifications are freed from many dangers of distorted perspective, disproportionate emphasis and subjective theorizing, when they are based upon voluminous, well-proved and well-systematized data. Unfortunately, the data of the social sciences is not yet in this condition; modest generalizations are as yet all to which they can rightly aspire.

Where the author deals with facts, his summaries are good; his sociology is based almost entirely upon that of Spencer.

The proceedings of the first Italian sociological congress, together with programme, extracts, etc., are given in *La Scienza Sociale* (Nov. 1899). This congress was held at Genoa, October 23-26, 1899, and was marked by the display of much interest and by some valuable addresses, from such men as Luzzatti, Durkheim, Barth, etc. The object of the conference was to extend the field of social studies, theoretic and practical. Next year's congress will be held at Naples.

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THE
YALE REVIEW.
AUGUST, 1900.

COMMENT.

The Question of an Independent Nomination; The Local Tax Question.

THE dissolution of the Gold Democratic organization and Mr. Bryan's declaration that Imperialism is the paramount issue of the campaign has simplified the political situation. The inclination of many of the Gold Democrats to support Mr. McKinley is not surprising, for on the question of expansion the Republican party to-day stands just where the old Democratic party did from 1840 to 1860, equally responsive to the call of Destiny. In this respect it is the Republican party that has changed and not the hard-money Democrats. On the other hand, Mr. Bryan's powerful utterance against Imperialism will attract to his support such independent Republicans who believe that issue more important than any other.

Yet, after this simplification of the campaign, with the party in power committed to a radical departure from our traditional policy toward people struggling for independence and from our fundamental principles of government, and the opposition party clinging to a Quixotic financial policy and disintegrated by social radicalism, the choice confronting many voters is still perplexing if not humiliating. To balance evils and to weigh the consequences is bad enough, but in the end to be triumphantly counted as approving Imperialism because one is more afraid of Free Silver, or to be numbered among the believers in 16 to 1 because

one cannot stomach the Porto Rico and Philippine policies, is both humiliating and demoralizing. Such a choice of evils inevitably begets political cynicism and indifference, both of which constitute the most favorable environment for corruption. It is still further demoralizing, for if voters can be trained to accept such a choice of evils the temptation is strong for party managers to bend their energies, not to improve their own standards but by intrigue to get the other party committed to something worse. The burden of the campaign is thus shifted from the defence of a positive policy to abusing your opponents and magnifying the dangers of their success.

The natural recourse in a situation like the present is the nomination of candidates on a platform which combines financial and political conservatism,—fidelity equally to American credit and American ideals. The notion that votes for candidates that cannot be elected are thrown away, is a popular fallacy studiously cultivated by the political machines. It is the votes cast for candidates you don't like and for a policy you don't believe in that are truly thrown away. On the other hand, resolute action in nominating and supporting candidates who stand for your convictions is altogether wholesome. It promotes intelligent and independent thinking. The more frequently such action is taken the more the danger of such action will restrain the conduct of the leading parties and force them to attempt to head it off by raising their own standards to a more acceptable level.

Our American politics needs more not fewer independent movements. In a government resting on public opinion the freest opportunity for the growth and expression of public opinion is essential. When public opinion is stereotyped into the empty formulas of two traditional parties and all variation suppressed, the foundations of self government are undermined. If there are varieties of opinion let them be given utterance and translated into action and produce some effect, and not be stifled into conformity with one or another set of ideas accepted on authority.

Therefore in the present issue we believe that the best thing
• long run would be for those who look upon a choice

between the two leading candidates as a choice of evils to refuse the choice and to raise their voice and cast their vote for candidates and a policy that they believe in. Only in that way can they learn their strength, and only in that can their strength be made to tell.

Signs are not wanting that the question of reforming local and especially municipal taxation in the United States will soon actively engage the attention of the various State legislatures. Heretofore the ground has been gone over by numerous legislative commissions, and in some cases, notably in that of the New York Commission of 1871 and of the recent Massachusetts Commission, their reports have contributed valuable material to the discussion of the problem. No action of importance by the legislatures has resulted, with the possible exception of the recent adoption of the franchise tax in New York. In most States the lawmakers have been content to let the time-worn property tax drift on, now and then patching up the old hulk with makeshift devices that never can affect its inherent defects. But the dissatisfaction with such a temporizing policy is growing, and here and there the public has been aroused to the necessity of more radical action.

Questions of Federal taxation, which formerly attracted so much public attention, and played such a prominent part in our political history, seem to be shelved for the present. The National government is assured an abundant revenue, whether the protectionist motive in framing tariff laws is large or small. At present, and for the past year, the Federal revenue exceeds the expenditure; the surplus will be disposed of as in the past by legitimate and by wasteful means, and will hardly call for a serious change in Federal taxation for some time to come. Taxation for State purposes, too, is no longer the debatable ground it was. The growth of railroads and of other corporations of a non-local character has supplied the State governments with a rich material for purposes of taxation which they are utilizing. The means to be adopted to reach the earning capacity of corporations is still an open question. The development of

street railroads has given a further impetus to corporate taxation, in which no doubt the example of New York in taxing franchise values will be followed in other States. Aside from this recent innovation in taxation, the development of the revenue systems of the States will be presumably along lines that are fairly clearly defined. Moreover, no great or sudden increase in State expenditure is to be expected. The proposed heavy expense by the State of New York for the renovation of the Erie Canal is rather exceptional, and will hardly be taken as a precedent by other States.

In the public expenditure for local and especially for municipal purposes, on the other hand, an increase is to be expected. The legitimate growth of objects of municipal expenditure is putting a severe strain and will inevitably put a still greater one upon the municipal revenue system. The urban population demands, and must be willing to pay more, for better schools, better paved and lighted streets, and more of all the conveniences and advantages that characterize city life. In the past much of this expenditure of our growing cities has been met from the proceeds of local assessments levied upon the landowners directly benefited. But the growth of this system cannot keep pace with that of city budget; its application is limited to a small range of city expenditure, the benefit of which to particular landowners can be discerned and measured. The property tax inevitably bears the chief burden of the local revenue system. As it has developed, this general tax, nominally on all property, but in reality largely one upon real property, has come to be looked upon as one variety of local assessments. The landowner in our growing cities pays his taxes in the belief that he is thereby raising the value of his land by securing police and fire protection, a water supply, a share in the drainage system, proximity to a park or a schoolhouse; in a word, in paying taxes he believes he is investing his capital in "improving" his real estate. It is much the same with the expense of the higher and professional education of his sons. He would find it hard to meet that expense out of his current income, and willingly sinks some of his capital in his sons' university education. It is to him an investment the returns from which he expects, if not in the

increased earning power of his sons, at least in their social position and the other advantages to which their university career admits them. Similarly the taxpayer under our property tax system is finding it increasingly hard to meet the tax out of his current income, and is encouraged to pay it out of his capital in the belief that the increasing value of his land warrants such a procedure. Naturally the more rapidly the particular city is growing the more tempting this process, and the more generally adopted. Barring the mushroom growth and decline of some smaller cities, there has been a fairly uniform rise in the value of urban real estate, which, in the minds of the taxpayers, has justified the heavy burden of local taxation. A general decadence of cities or a uniform decline in the value of urban real estate is not to be expected. However, the development of rapid means of transportation and communication must necessarily affect it. In many cases this development has already lowered the value of land in the congested sections of cities, and in many others it has lessened the prospects of a continued increase in its value. Wherever this has occurred the burden of the property tax has become serious. The assessed valuation of land has increased, in many cities enormously, and the tax rate has certainly not fallen off to any appreciable extent. The owners of the monopoly in land find it more and more difficult to shift the tax upon their tenants.

Heretofore, the changes made in the local tax system have centered about attempts to extend it along established lines. The attempt to include personal property in the assessment rolls is as old as the tax itself, and has uniformly met with little or no success, except in so far as it has increased the burdens of the ultra conscientious and the helpless taxpayers. The recent vigorous attempts to tax mortgages will soon be given up, we believe, when the borrower is made to realize that the burden of the tax must inevitably fall upon him in a rise of the interest rate, which he cannot escape in the long run. It looks as if our local taxes were slowly but surely becoming exclusively taxes upon real estate; as if we were unconsciously moving into the camp of the "single tax" advocates, and preparing to adopt their plan of taxing if not confiscating the monopoly value of land. A

few more decades of increasing municipal expenditure must show whether the tax will reach this goal. The taxation of personal property is doomed to be given up in practice if not in theory. So far, as it escaped taxation, the relative importance given to real estate taxation has correspondingly increased. If the ownership of real estate is not to be the only basis for local taxation in the future, some steps must be taken to develop new sources of municipal revenue. Income taxes on the foreign model hardly commend themselves; municipal enterprises, even if they could be made financially successful, would not be tolerated as revenue producers, any more than the Federal post office is. One form of municipal taxation, that of rentals, has been proposed with the experience of British and Continental cities in mind, and, though it has not met with any particular favor as yet, it is quite possible that eventually we shall see it grafted to our present system.

If it were possible to experiment in matters of local taxation, the results might give highly important, instructive and helpful results. The possibility of such experiments would necessitate first of all a separation of local from State finances, which we confidently look forward to in the more populous States like New York or Massachusetts. A departure for the time being from the present monotonous uniformity to a variety of systems of municipal taxation might open the way to a more satisfactory state of things in our cities' finances.

UNITED AUSTRALIA.¹

THE London *Times*, September 16, 1899, announced that the loyal addresses from the legislatures of the Australian Colonies, praying for the passing of the Australian Commonwealth Bill as an Imperial Act, were beginning to arrive. Those from both houses of the South Australian legislature were received that week. The text of the address runs thus:

"To the Queen's Most Excellent Majesty—We Your Majesty's dutiful and loyal subjects, Members of the House of Assembly of South Australia in Parliament assembled, approach Your Majesty with assurances of our loyalty and sincere attachment to Your Majesty's throne and person. We humbly pray Your Majesty to be pleased to cause a measure to be submitted to the Imperial Parliament for passing into law the Federal Constitution for Australasia, which has been accepted by the Colonies of New South Wales, Victoria, South Australia and Tasmania."

Queensland also has since accepted this constitution.

The arrival in England of these addresses to the Queen marks a momentous and all but final stage in the long and arduous march of the Australian Colonies towards federal union. The formative period is passed. The legislative or enacting period is at hand. It is a convenient moment for retrospect—to review the history of our federal movement, to examine the toilsome path by which we have come so near the goal, and to summarize what has been achieved. Both the story and the achievement should be of special interest to our kinsmen in America. Ours is a land like unto their own land. We are of the same blood, of the same language, with the same literature, and the same great race traditions. We share alike the vast responsibilities of carrying forward the Anglo-Saxon standard of civilization. In framing our Federal Constitution we have followed largely in their footsteps,

¹ The Editors of the YALE REVIEW are gratified to be able to put before its readers an article on the Federal Union of Australia from one who has had a large part in the movement. Mr. Symon was a member of the Federal Convention of 1897 from South Australia, and Chairman of the Judiciary Committee of the Convention. He has been President of the Federation League of South Australia and also President of the Commonwealth League.

and been guided, though occasionally warned, by their example. In years to come, the historian will investigate the facts and enforce the lessons of our fight for union with the same devotion which is now bestowed on every step and incident of the immortal struggle to consummate the American Union. But without waiting for the haze of history, it cannot fail to be of interest, while the action is yet fresh, for Americans to know something more of us, and of our doings in creating a new federal state of English-speaking people in the southern seas.

Australia is naturally destined to be the home of one people. It is a self-contained island-continent. The ocean is its outer and effectual rampart. No foreign foot rests upon its soil nor is there any inland frontier to be watched or defended. To adopt the memorable words of the late Sir George Grey, Australia presents the unique condition of "A nation for a continent and a continent for a nation." With an area—including New Zealand—of just under 3,000,000 square miles, it possesses one of the finest climates in the world and limitless natural resources. A people of English blood and English speech would be unworthy of such an inheritance if they did not aspire to consolidate into one nation—and succeed. This has been the inspiration of the wisest public men almost from the earliest dawn of political life in the colonies—from at any rate the time when the dry bones of an inadequate crown colony *régime* rose into new and robust life under the vigorous breath of self-government. But the fight for the flag of union has been long and often fierce, although happily without recourse to arms or bloodshed.

The original division of the colonies was a necessity of their early settlement. It was part of their process of development. This was owing to the enormous extent of territory occupied, in the early stages of settlement, at a very few points with great difficulty of intercourse. A central and controlling government was almost impracticable. Yet as early as 1849 Earl Grey introduced into a bill "for the better government of Her Majesty's Australian Colonies" a provision enabling two or more of the colonies to unite under one government. This passed the Commons, but was rejected by the Lords. Probably if it had become

law, it would, in the then state of Australian progress and the relations between the different parts of the continent, have remained a dead letter.

Early in the fifties, the Australian colonies—this expression is to be taken as always excluding New Zealand—consisted of New South Wales, Victoria, Tasmania, South Australia, and Western Australia, of which in 1856-57 the first four were given representative and responsible governments modelled upon the English system. There was constituted in each of these colonies a parliament consisting of two houses—the House of Assembly or Legislative Assembly, corresponding to the House of Commons, and the Legislative Council—corresponding in its functions, though not in its constitution, to the House of Lords. Queensland was carved out of New South Wales and erected into a separate colony with responsible government in 1859. West Australia was the most backward of them all, and did not obtain complete self-government till 1890. Even then the population was little more than 40,000.

In 1857 Sir Charles Gavan Duffy, who, after serving his political apprenticeship amidst the troubles of Ireland, and as a member of the House of Commons, had emigrated to the colony of Victoria and entered parliament there, moved for the appointment of a select committee of the Victorian Assembly to consider the necessity of a federal union of the Australian colonies. Duffy was a man of patriotic insight, large grasp, and very considerable eloquence. He was encouraged and stimulated by another large-minded young Irishman who had settled in New South Wales. This was Daniel Denvir, who with sagacious prevision wrote thus to Duffy, "I think the cardinal service, the permanent national statesman-like benefit you can render Australia, will be the federation of the provinces. Social as well as political reasons called for this originally, and I know of no one as fitted as yourself to execute this great work." To set a just value upon the conceptions and services of these men, it must be remembered that Victoria and New South Wales had barely entered upon that separate and newly-conferred self-government, which seemed to sanctify division and assure its permanence.

Duffy secured the appointment of his committee, which consisted of the foremost public men of Victoria at that time, and was unanimous upon the main question. Its report became very much the creed of the Federalist. It says:

"On the ultimate necessity of a federal union, there is but one opinion. Your Committee is unanimous in believing that the interest and honour of these growing States would be promoted by the establishment of a system of mutual action and co-operation among them. Their interest suffers and must continue to suffer, while competing tariffs, naturalization laws, and land systems, rival schemes of immigration and of ocean postage, a clumsy and an inefficient method of communicating with each other and with the home Government on public business, and a distant and expensive system of judicial appeal exist, and the honour and importance which constitute so essential an element of national prosperity, and the absence of which invites aggression from foreign enemies, cannot perhaps, in this generation, belong to any single Colony in this Southern group, but may, and we are persuaded would, be speedily attained by an Australian Federation representing the entire country. Neighboring states of the second order inevitably become confederates or enemies. By becoming confederates so early in their career, the Australian Colonies would, we believe, immensely economize their strength and resources. They would substitute a common national interest for local and conflicting interests and waste no more time in barren rivalry. They would enhance the national credit and attain much earlier the power of undertaking works of serious cost and importance. They would not only save time and money, but attain increased vigour and accuracy, by treating the larger questions of public policy at one time and place, and in an Assembly which it may be presumed would consist of the wisest and most experienced statesmen of the Colonial Legislatures, they would set up a safeguard against violence or disorder, holding it in check by the common sense and common force of the Federation. They would possess the power of more promptly calling new States into existence throughout their immense territory, as the spread of population required it, and of enabling each of the existing States to apply itself without conflict or jealousy to the special industry which its position and resources render most profitable. The time for accomplishing such a federation is naturally a point upon which there are a variety of opinions, but we are unanimous in believing that it is not too soon to invite a mutual understanding on the subject throughout the Colonies. Most of us conceive that the time for union is come."

Following upon this report an attempt was made to arrange a conference of the colonies concerned with a view to giving effect to the project. Unfortunately, however, owing chiefly, as happened more than once at a later date, to the disinclination of New South Wales, and in a less degree to difficulties raised by other colonies, nothing came of the suggestion, and the proposed conference fell through.

The subject, however, was never lost sight of. The years went by with an unexampled advance in national development and prosperity. Trade relations became more intimate, settlement was more widespread and, in the more favored areas, closer, and population increased, whilst at the same time those intercolonial misunderstandings which may easily become quarrels were not infrequent. It was felt that "something must be done." The status of the colonies could not with safety continue much longer as though they were foreign countries, taxing each other's food and clothing, cultivating jealousies and promoting rivalries, which should never have existed at all, and deriving from their divisions and separate governmental systems needless causes of friction in respect of what were really matters of common and friendly concern. The fascination of tariff wars and fiscal retaliation had taken possession of the ruling majority. Even the splendid railway enterprise and development of the colonies—all railways belong to the state—was made a powerful instrument, by means of differential rates and rebates, of diverting trade from the place or port to which it properly belonged and embittering commercial rivalries, in themselves naturally keen, and the result was that the progress of time witnessed more and more gropings towards the federal light.

Between 1860 and 1883 some ten or more inter-colonial conferences took place with a view to united or what was called federal action on isolated matters, but these were by no means successful. There were frequently initial difficulties in securing a complete representation of all the colonies. Both the general system and the particular proceedings were without what lawyers call a "sanction." The conference was at its best "a congress of ambassadors from different and hostile interests, which interests each must maintain as an agent and advocate against other agents and advocates." Unanimity was essential, as the majority had no power to bind the minority, and even the unanimity of a conference did not necessarily mean unanimity in giving effect to its resolutions. Actual disputes or serious controversies between colonies were obviously outside the pale of such conferences. In fine, the conference system, whatever merits it might possess in other directions, came to be recognized as a wholly illusory

substitute for or even approximation to actual union. A good purpose was nevertheless served in directing attention to the inefficacy of the expedient. The almost consistent failure of these efforts bore in upon the minds of the people the need of some new plan. Indeed, the very bitterness of feeling often engendered by the disagreements of conferences and the refusal of colonies represented to affirm what their delegates had agreed to, made it the plain duty of public men and patriotic citizens to seek out some mode of united action really effective.

A strong hint came from Lord Derby, then Secretary of State, in 1883, on the occasion of Queensland's "off her own bat" annexing or trying to annex New Guinea. In a despatch upon the subject disaffirming Queensland's exploit, he said: "If the Australian people desire an extension beyond their present limits, the most practical step they can take, and one that would most facilitate any operation of the kind, and diminish in the greatest degree the responsibility of the mother country, would be the confederation of the Colonies into one united whole which would be powerful enough to undertake and carry through the tasks for which no one Colony is at present sufficient."

Whether moved by this or not, a conference soon afterwards took place, the outcome of which was that the federal tendencies crystallized into a more concrete attempt towards some federal organization. This took the shape of what is known as the Federal Council, established by an act of the Imperial Parliament at the request of some of the colonies. It was a very feeble effort to satisfy the real but still vague—rather perhaps tentative—aspirations for federal union. This body was federal only in name, and was marked by the absence of every condition necessary to true union, either of the states or of the people. It rested upon no popular or electoral basis; it had no executive powers; it possessed neither a taxing nor a spending power. "It wants," as its author, Sir Henry Parkes, who, however, subsequently deserted it, declared, "the elemental strength of elections. It wants the strength of the highest authority, which is the authority of the people of the several Colonies." Those who professed to be its best friends could urge little more in its favor than that it might be made the nucleus of a full federation.

In 1889 an imperial officer, General Edwards, had been commissioned at the request of the colonies to report upon their defences. The effect of his report was to give prominence to the question in a new aspect and to present it to the people as essential to their effective and economical defence. Experts had seen and appreciated this long before. Now, however, for the first time the general community began to realize it. They did not wish to be wholly dependent upon the mother country for protection in time of national stress. At the same time they felt that without union amongst themselves a system of defence of any kind would be costly, and an organized defence would be difficult. Accordingly in October of that year, Sir Henry Parkes, an Australian statesman of great capacity and far-sightedness, impressive eloquence and magnetic and picturesque personality, saw and seized the opportunity. He launched the national policy of complete federal union in an historical speech in which he demanded "that the Colonies should be erected into a Dominion and with an elective Parliament to govern them." The people had begun to realize that the time was ripe for union. Hostile intercolonial tariffs had become intolerable. A citizen of one colony could not travel to another without his baggage being searched as though he were a pickpocket. Free intercourse between the colonies was admitted to be unattainable without federation. It was essential, as General Edwards had shown, to combined and efficient defence. Thus, both time and circumstances being propitious, Sir Henry Parkes' pronouncement was felt to express the general sentiment. He, with the statesman's quick decision, pressed the idea into prompt action. Accordingly in the following year, 1890, during his premiership of New South Wales there met in Melbourne, on his invitation, what is known as the "Australasian Federal Conference, 1890." It was a ministerial conference. Its members—two from each colony except Western Australia, which sent one—were chosen by the ministries of the different colonies—most of them being ministers and all of them members of one or other of the colonial parliaments.

Its president was the Hon. Duncan Gillies, for many years a prominent politician of the colony of Victoria, and at that time

its premier. Mr. Gillies was by birth a Scotchman and a man of strong intellect, incisive speech, moderate temper and large conceptions. The conference itself was confessedly more or less academical. Its purpose was chiefly to elicit general views on the main question of union—to bring them into organic form and to put things in train for subsequent conventions to build up a practical scheme.

A series of resolutions was unanimously come to, of which the first was: "That in the opinion of this Conference, the best interests and the present and future prosperity of the Australian Colonies will be promoted by an early union under the Crown." While fully recognizing the valuable services of the members of the Convention of 1883 in founding the Federal Council, it declared as its opinion that "the seven years which have since elapsed have developed the national life of Australia in population, in wealth, in the discovery of resources and in self governing capacity, to an extent which justifies the higher act, at all times contemplated, of the union of these Colonies, under one Legislative and Executive Government on principles just to the several Colonies."

Parkes, it should be noted, had advocated a federation of the Canadian type, but he found then that the feeling was overwhelming in favor of the United States model. "The British North American Act" under which the Canadian Dominion came into being was never in favor with the federal party in Australia. While desiring union for all national purposes the colonies were eager to preserve their separate identity and self-government in all local concerns, and they therefore shrank from the Canadian plan, under which the central power absorbs within itself everything that is not specifically reserved to the individual provinces. It was scarcely ever doubted that the converse method which obtains in the United States was preferable. The Right Hon. G. H. Reid, recently Prime Minister of New South Wales, but at that time in opposition to Parkes' federal policy, strenuously urged this point as fatal to the proposals emanating from the conference. "I have no hesitation," he declared, "in saying that I will never be a party to any constitution which is formed on the Canadian lines." The result

was that by common consent the Canadian method was put aside, and the convention of 1891—the first constructive convention—proceeded in framing their proposals for a federal constitution upon the American lines.

This convention of 1891, known as the Sydney Convention, was composed of delegates chosen by the parliaments of the respective colonies. Sir Henry Parkes was its president. Sir Samuel Griffith, now the Chief Justice of Queensland, was the chief figure on the drafting committee which framed the measure debated and adopted by that convention, and to him was entrusted the duty of explaining its provisions and piloting it. Australia has produced no more zealous federalist than Sir Samuel Griffith. To singular ability of the "dry light" kind he adds a marvelous industry, much facility as a draftsman and great readiness of exposition and debate—qualities which were of especial help to the business then in hand.

On this occasion too, Mr. Edmund Barton, Q. C. of New South Wales, first took a conspicuous part in the federal movement, to which he has since devoted himself with preeminent ability and persistence. The draft constitution finally framed by this convention exhibited a strong grasp of the essentials of a broad and effectual scheme of federal union, and was found most useful as a framework by the later convention.

The ink, however, was scarcely dry upon the print before it was conceded, even by its authors, that the provisions, under which it was proposed to adjust the diverse financial relations of the different colonies upon their joining the union, were a failure. But criticism had hardly time to condescend upon detail before it was seen that the essential weakness of the Sydney Convention was that it had no sanction or mandate from the people. The quality of its work, therefore, was little considered. It took no general hold. Its members had not yet fully felt the need of popular momentum or realized that without direct active participation, the people would lack interest and probably be suspicious. It is significant in this connection that although the convention passed a resolution recommending the various parliaments to make provision for submitting the draft constitution for the approval of the people of the respective

colonies, Sir Samuel Griffith, the mover of the resolution, either so little understood the public sentiment, or was so enslaved by the American model—designed under quite other conditions and at a very different era—that he expressed his own personal opinion very strongly against a reference to the people and in favor of sending the proposed constitution for ratification to a specially chosen convention.

And so the Sydney Convention passed into history. All this was unfortunate because it placed a powerful and effective instrument in the hands of men who, if not opposed to federation, were at any rate opposed to those who had assumed to be its leaders in connection with that particular convention. The great cause was made to subserve the exigencies and intrigues of local politics. This was especially so in New South Wales, always spoken of as the mother colony, the most powerful and populous of the group, which it was admitted must not only throw in her lot with, but must lead the movement if success was to be achieved. Controversy raged, and the embers even to this day survive as to who in that colony was most to blame—whether Parkes, or Barton, or Reid—for allowing local politics and the attractions of office to overshadow national union. But it is profitless to inquire into or apportion the blame now.

Mr. G. H. Reid had been excluded very unwisely from the Sydney Convention. Moved partly by resentment on this account, and perhaps more by bitter personal hostility to Parkes, this gentleman opposed federation as offered by the bill of 1891 with virulent vigor and success. Both Parkes and Reid were out-and-out free traders. Reid denounced the contemplated union as destructive to free trade, which was regarded as the special policy of New South Wales, and the antithesis of the highly protective policy of the other colonies. He effectively likened the position of New South Wales in such a federation to that of a teetotaller proposing to keep house with five drunkards. This caught the popular ear and lit up the popular imagination, and so far as New South Wales was concerned, the cause received a decided check. But the mere fact that the subject became one of animated and even bitter controversy was not an unmixed evil. Progress had been gradual—from individual

leaders and ministers to the parliaments: from the parliaments by means of those controversies it had reached the platform—contemporaneously it had become a topic, not of occasional or academical, but of constant and daily interest in the press. A powerful body of public opinion was formed and gradually the federal faith became a religion with some of the most far-seeing, patriotic, and resolute men in Australia. The people—even though at first in a somewhat vague way—began to apprehend the question in its just magnitude, to talk of it amongst themselves, to regard it as within the sphere of practical politics, to aspire to a direct hand in the enterprise and seek only light and leading. The first result was the establishment throughout the colonies of organizations with a view to advancing the cause. Federation leagues were formed in New South Wales, Victoria and South Australia. Of the men who gave themselves to the crusade—for crusade it was—none did more splendid service than Mr. Barton of New South Wales, and Mr. Deakin and Dr. Quick of Victoria, and of all organizations none exercised a more constant and powerful influence than the Australian Natives Association, particularly in the colony of Victoria. One of the most remarkable features of the movement was the unanimity and zeal of the native-born Australians in favor of it.

This was the condition of things when, in August, 1894, Mr. G. H. Reid came into power as Prime Minister of New South Wales. Although elected on the issue of direct taxation and free trade, and although it was obvious that to adopt a free trade policy whilst all the other colonies were protectionist, was to increase the difficulty of federation—to intensify in fact his own parable of the teetotaller and the drunkards—there was no mistaking the signs which indicated that the federal movement had come not only to stay, but to go forward, and that it could not be kept back. The rising sun of federation was just visible over the horizon. This Reid speedily realized. With quick strategy he cleverly disarmed opposition by re-starting the movement, with all the power of the government behind it, and proposing an elective convention. For this purpose he in August, 1894, addressed a circular despatch to the premiers of the various colonies in which he said that "in some of the Colonies, if not all,

political vicissitudes and the stress of urgent local questions seem for a considerable period to have endangered the continuity of the movement," and "this Government is prepared, therefore, to take up with genuine earnestness the question of a united Australia. Indeed it appears to us that even from the most strictly provincial point of view, the establishment of a federal compact is of commanding interest to every Australian State, for it is clearly impossible that any one of them can have full scope for the development of its resources until the whole continent is freed from provincial trade restrictions."

The outcome of the negotiations thus initiated was a conference of the premiers held at Hobart in Tasmania in January, 1895, when it was resolved that federation was "the great and pressing question of Australian politics," and not only that "a convention consisting of ten representatives of each Colony directly chosen by the electors be charged with the duty of framing a Federal constitution," but that the constitution so framed be submitted to the electors for acceptance or rejection by a direct vote. To give effect to these resolutions the conference adopted a type or form of bill which was passed by all the colonies except Queensland, and with certain modifications in the case of Western Australia, and is known as the Federal Enabling Act.

Under this act early in 1897, the elections took place on the widest suffrage, for ten representatives from each colony to the Statutory Federal Convention. The *personnel* of the convention thus chosen was a remarkable one, and reflected, probably without exception, the best ability, the widest knowledge and the largest grasp of the subject. Its members one and all were penetrated with the gravity of the occasion. They lacked nothing in patriotism, intelligence, and experience. And the public conviction that on the whole the best men had been chosen did much at a later period to ensure the acceptance of the constitution.

In the month of March, 1897, this convention held its first session in Adelaide. The procedure of the Philadelphia Convention—which had already been followed at the Sydney Convention of 1891—was again pursued with this important

difference, that the latter sat with open doors. The popular demand to which this was conceded emphasized the direct active share the people resolved to take in the work in hand. They were not content to receive the completed constitution from their representatives. They insisted upon watching the process of construction in detail—the weaving of the fabric.

The following general resolutions were debated and adopted:

"1. That in order to enlarge the powers of self government of the people of Australasia, it is desirable to create a Federal Government which shall exercise authority throughout the Federated Colonies, subject to the following principal conditions

"2. That the powers, privileges and territories of the several existing Colonies shall remain intact, except in respect of such surrenders as may be agreed upon to secure uniformity of law and administration in matters of common concern.

"3. That after the establishment of the Federal Government there shall be no alteration of the territorial possessions or boundaries of any Colony without the consent of the Colony or Colonies concerned.

"4. That the exclusive power to impose and collect duties of Customs and excise and to give bounties shall be vested in the Federal Parliament.

"5. That the trade and intercourse between the Federated Colonies whether by land or sea shall become and remain absolutely free.

"Subject to the carrying out of these and such other conditions as may be hereafter deemed necessary, this convention approves of the framing of a Federal Constitution which shall establish:

"(a) A Parliament to consist of two Houses, namely a States Assembly or Senate and a National Assembly or House of Representatives; the States Assembly to consist of representatives of each Colony to hold office for such periods and be chosen in such manner as will best secure to that Chamber a perpetual existence combined with definite responsibility to the people of the State which shall have chosen them: the National Assembly to be elected by districts formed on a population basis, and to possess the sole power of originating all Bills, appropriating revenue or imposing taxation.

"(b) An Executive consisting of a Governor-General to be appointed by the Queen and of such persons as from time to time may be appointed as his advisers.

"(c) A Supreme Federal Court which shall also be the High Court of Appeal for each Colony in the Federation."

For convenience the draft bill which issued from the Sydney Convention of 1891 was taken, so to speak, as the "raw material" upon which the convention might work. Three committees were appointed, a Constitutional Committee, a Financial Committee and a Judiciary Committee. The writer was chairman of the

latter. When these committees had finished their labors they reported to the convention, which then took up the draft constitution—now known as the Commonwealth Bill—clause by clause. The first session of the convention ended on May 5, 1897. In the interval between then and the second session, which opened in Sydney on September 2, the draft bill was submitted to the parliament of each colony for consideration and the suggestion of amendments.

These amendments were dealt with by the convention when the discussion of the bill was resumed in Sydney. Controversy then occupied itself chiefly with two points, namely the greatly vexed question of equal representation of the constituent states in the Senate, irrespective of population, and the plan to be adopted to prevent deadlocks between the Senate and the House of Representatives. The third session of the convention was held in Melbourne from January to March, 1898, when the whole measure was again gone through, the financial and other provisions remodelled and, as Australians reasonably boast, an instrument of government of rare perfection framed.

The seal of popular approval and acceptance had now to be obtained. Conventions and parliaments had done their parts. But the people had reserved to themselves the right of final judgment by direct vote. To that end the bill had to be submitted to them by referendum. An active and vigorous campaign was entered upon. The Anti-Federal Party organized in great strength, and got together a considerable fighting fund. But unquestionably the Federal Party, in influence, ability, and debating power, altogether out-distanced their opponents. Nevertheless the contest was fierce and keen. Powerful provincial interests and the selfishness of those who saw danger to their craft in the advent of that complete freedom of trade between the states which would accompany federal union provided the stimulus of opposition, which the intellectual weakness of the Anti-Federalists could not supply. The resisting party in one colony contradicted the resists in another; indeed each section of opponents contradicted the other, though all were united—it might be on utterly irreconcilable grounds—in denouncing the bill. New South Wales opponents declared the financial provi-

sions meant ruin to their colony and abounding prosperity to South Australia, while exactly the opposite view was used in South Australia to scare the timorous of that colony—and so all round. The attitude of the press was, in particular instances, marvelous. Some by no means insignificant journals seemed unable to make up their minds. They could not gauge which views would be palatable to the largest body of their subscribers. One great newspaper—recognized as the fearless champion of a progressive democracy—had its mind made up for it in a very sudden and summary way by a great demonstration for union and the Commonwealth Bill on the part of the native-born Australians at Sandhurst in Victoria. The vagaries of what is known as the Labor Party in Australian politics were very curious. Federation and the referendum were planks in the political platform of that party. But, with a few noble exceptions, they played false to both at this crisis. They appeared to object to the referendum because it was to give them federation. They objected to federation because it was founded on the referendum, and gave them a constitution more democratic than they ever dreamt of and sooner than they ever hoped for. This party fought the issues probably on the pettiest and narrowest grounds of all, but with perhaps most virulence. Mr. Trenwith of Victoria—one of the leaders of that party and a shoemaker by trade—was also a member of the convention, and secured the esteem and admiration of all in that assembly by his patriotism, his statesmanship and his fearless and eloquent advocacy of what he believed to be best in the national interest, even though it might be in conflict with the provincial policy of his party or appear uncongenial. Distrusted at first, not unnaturally, no one before the convention closed gained a more respected position. His reward afterwards was the bitter denunciation and vituperation of his party, which he withstood with courage, and which never led him to deflect one instant from strenuous and successful advocacy of the Commonwealth Bill.

With such elements the campaign went on with varying fortune through April, May and June of 1898. The objections urged with wearisome reiteration were mostly a repetition of those which had done duty more than one hundred years before, when

the fate of the Constitution of the United States hung in the balance. In New South Wales the fight was especially hot. A prominent politician of that colony and a leading member of its ministry, denounced the proposed scheme of union with measureless invective and described his fellow Australians in the other colonies as "wolves" and "thieves."

The *Daily Telegraph*, a very powerful and able Sydney newspaper, declared that the people of Victoria were only united "by the common instinct of loot in the desire to plunder New South Wales."

Great disappointment was felt at the duplex attitude of the Right Honorable G. H. Reid. The New South Wales Parliament had already been guilty of a gross breach of faith in increasing the minimum necessary to carry the bill to 80,000. This had been done whilst the convention brought together on the basis of a 50,000 minimum for New South Wales was actually sitting—Reid standing by and consenting. But during the referendum campaign Reid's conduct outdid even this. Declaring that he himself would vote for the bill, he urged every possible objection against it, hinting—if not saying in so many words—that it would bring ruin to New South Wales. This extraordinary course of action became immortalized as the "yes-no" attitude—an epithet likely to remain the permanent appanage of Mr. Reid. There were no doubt special difficulties to be faced in New South Wales, owing to her local free trade policy, but these difficulties did not justify Reid's defection nor his cynical disregard both of his public pledges and the devotion to the federal cause by which he had claimed to be influenced.

However, there came a general election, when the federal issue was brought conspicuously forward. The result was to punish Reid for his "yes-no" attitude by reducing his parliamentary majority from thirty-seven to two. This perhaps was better than expelling him from office, because it left him in office dependent upon support from the Federal Party.

He dropped to the situation: adroitly escaped from the *impasse* he had created for himself by saying he only desired, in the interest of New South Wales, certain modifications in the bill: embodied these suggested modifications in the form of resolutions

for the consideration of parliament and when parliament adopted them, he proposed a conference of the premiers of the different colonies to deal with them. This conference was held in January and February, 1899, and an agreement was come to (subject to the approval of the people on a second referendum) in effect:

1. That the federal capital should be in federal territory to be chosen within New South Wales.
2. That at a joint sitting of the two houses to settle disagreements between them an absolute majority of the two houses should be final instead of three-fifths of the members present and voting.
3. That the provision restricting the commonwealth to not more than one-fourth of the revenue from customs and excise, the balance being paid to the several states, should only last for ten years and that the federal parliament might grant financial assistance to any state.
4. That the boundaries of a state should not be altered without the consent of the state.
5. That under certain limitations amendments of the constitution may be submitted to the people on the initiative of either house.
6. And that until the Commonwealth Parliament otherwise provides, the parliament of Queensland may divide that colony into divisions for the election of senators instead of the whole colony being treated as one constituency.

Reid on his part agreed that no minimum vote should be required in New South Wales upon this second referendum, and that a simple majority should prevail whether for or against.

From that conference Reid returned proclaiming himself satisfied with the amendments he had secured and announcing his intention to advocate the bill, as amended, heart and soul. This pledge he faithfully kept. The second referendum took place with the result that the bill was carried in New South Wales by a majority of 26,000, in South Australia by a majority of five to one, and in Victoria and Tasmania by an almost unanimous vote. Federal union triumphed unmistakably all along the line.

The position and action of Queensland deserves especial note.

She had never passed the Enabling Act. She took no part in the convention, and it is the greatest tribute possible to the Commonwealth Bill and to its adequacy to all the needs of Australia, that it was accepted in Queensland by a large majority on a popular vote, under the circumstances mentioned. To the late premier of Queensland, Mr. Dickson, especial credit is due for the persistence and enthusiasm with which he took up and pressed the cause.

Western Australia affords a striking and unsatisfactory contrast to Queensland. She took part in the convention: her premier attended the 1899 conference and agreed to its decisions: but no sooner had he returned to his own colony, than influenced from his better judgment by his immediate atmosphere of provincialism, he forgot the past and his engagements and—in opposition singularly enough to the majority of the people—led an agitation for amendment, which his own friends converted successfully into one for rejection of federation altogether. No man, it may be hoped, was more chagrined at the result of his own maladroit policy than the premier himself, and the natural desire which he must entertain to extricate himself from so unsatisfactory a position, affords the fairest assurance that West Australia may even yet join the union. This is rendered more probable by the fact that the population of the rich goldfields of that colony—who are solidly unanimous for federation—are petitioning the Queen for separation from the rest of Western Australia, so that they at least may come into the federation.

All that now remains to be done to unite the federating colonies of New South Wales, Victoria, Queensland, South Australia and Tasmania—Western Australia also if she is wise in time—and to launch the commonwealth of Australia upon her national career, is the passing of an Imperial Act of Parliament and the issue of the Queen's proclamation. The former is, according to the constitution, essential to give living force to the Commonwealth Bill. The latter is required under the Commonwealth Bill itself. Enactment by the Imperial Parliament is like the formal recognition by the parents—the mother country—of the marriage compact to which the parties have agreed. The proclamation is at once the solemnization of the union and the

blessing of the beloved high priestess of the English-speaking race. Both are as of course because the contracting parties—the uniting colonies—are of competent age to bargain and speak for themselves. It is, therefore, the business of the Imperial Parliament, now in session, to pass an act adopting the Commonwealth Bill. This done, what a vista will be opened to use in Australia! We shall begin our career with a population—excluding New Zealand—of nearly 4,000,000 of the purest Anglo-Saxon breed—by a singular coincidence, about the same as that of the United States and of Canada at the birth of their respective unions. We shall have a vast territory, with scarcely an appreciable foreign admixture amongst its inhabitants, free from the trouble of native or colored races; an accumulated wealth estimated at £1,400,000,000, and a trade of £200,000,000 per annum. The potentialities of a people so situated and so blessed cannot be reckoned. They may well strive to be deemed worthy to stand in line with the other great self-governing Anglo-Saxon communities, to join with them in advancing the standard of freedom and civilization, to uphold the traditions of the land from which they all spring—the living mother of free nations.

Let us now briefly examine the constitution so framed and adopted by the Australian people. Based upon all the precedents of history, and informed by all the past experience of civil government, one would expect the instrument to be worthy both of its origin and its high purpose. We believe it to be so. Every part and clause is as obviously inspired as though on its front it were emblazoned with the triple legend—loyalty to the British crown; government by the people; civil and religious freedom and equality. The phenomenal growth of the Australasian colonies in wealth and population has not outpaced their passionate love of the mother country. Distance and their own engrossing concerns have not dimmed for Australians the lustre of that little isle "set in the silver sea." They invariably speak of it as "Home." To form part of the British Empire, and to know that the Union Jack is theirs to rally round, fills them with a deep pride. They exhibit their loyalty with perhaps even more demonstrative enthusiasm than the people of England themselves—it may be because a brighter and more genial climate

promotes a more emotional, or at any rate, demonstrative disposition. The Transvaal War now proceeding has given opportunity for irrefragable proof on this point. The sentiment was spontaneously translated into effective action. This war has beyond all controversy made the Empire one. Such a result was worth a war. *Quis separabit?* Next to the Union Jack Australians love to see float the Stars and Stripes. Intertwined, they symbolize that yet more august thing—the empire of the English-speaking race—a vast and glorious confederation. Our federation is within the ample folds of the British Empire. The Imperial idea is at the root of the constitution. The threshold difference between the Australian constitution and that of America is that the American is that of a federal republic; the Australian is in substance that of a federal monarchy. Its preamble recites: “Whereas the people of”—naming the colonies which have adopted the constitution—“humbly relying on the blessing of Almighty God, have agreed to unite in one indissoluble Federal Commonwealth under the Crown of the United Kingdom of Great Britain and Ireland and under the Constitution hereby established.” The Queen, then, is the head of our federal state. She with the Senate and House of Representatives constitutes, in conformity with the British system, the Parliament of the Union, and will be represented by a Governor-General, whom she will appoint, but who will be paid out of the federal revenue. It will thus be seen that we bind ourselves to the Empire by forging into the constitution the strongest of all links—the personal sovereignty of the Queen. In addition, the paramountcy of the Imperial Parliament is of course maintained. But this is more theoretical than practical. In point of fact the British Parliament mainly concerns us in so far as it provides Her Majesty with her ministers and must formally enact for us, as in the case of the Commonwealth Bill itself, those legislative measures which may be desired, but which are beyond the constitutional competence of any individual state to pass into law. It is not conceivable that the Imperial Parliament should—such a thing has never even remotely been suggested—attempt to impose upon Australia an unwelcome or unacceptable law.

The bounds of religious freedom are made sufficiently wide by

clause one hundred and fifteen, which says: "The Commonwealth shall not make any law for establishing any religion or for imposing any religious observance or for prohibiting the free exercise of any religion, and no religious test shall be required as a qualification for any office or public trust under the Commonwealth."

It has already been mentioned that after the enactment of the Commonwealth Bill by the Imperial Parliament the Queen's proclamation is necessary to formally establish the Union. This must issue within twelve months. It will take the form of declaring "that the people of"—the colonies which have adopted the constitution—"shall be united in a Federal Commonwealth under the name of 'The Commonwealth of Australia.'" And the colonies which may adopt the constitution and enter the federation as original states are the seven pure British colonies of New South Wales, New Zealand, Queensland, Tasmania, Victoria, West Australia and South Australia, all of which, although differing widely in population, wealth and resources, stand abreast in political development and the enjoyment of responsible parliamentary government. Fiji, for example, a tropical crown colony, with a predominating colored population, although usually treated as within the Australian group, is excluded. New Zealand and West Australia are willing, but hesitate to come in, and at the moment of writing exhibit considerable apprehension at the prospect of being left out. New Zealand is separated from Australia by 1,200 miles of sea—put by Sir George Grey as 1,200 reasons against its entering the Union.

The United States Constitution, to which Lord Rosebery not long since applied the epithet "matchless," was, speaking generally, the model upon which the framers of the Commonwealth Bill proceeded. Indeed they have been recently accused by a Canadian constitutional writer of being enslaved, not only by the form, but by the very nomenclature of America. He reproached them for having preferred "Commonwealth" with, as was said, "its decidedly American flavour" as the designation of the federated state, to "Dominion" the Canadian appellation, and the term "States" as descriptive of the constituent parts of the Union to

the old name "Colonies," and the same writer professed to regard as most deplorable of all, the use of "House of Representatives" as the name of the popular or more numerous branch of the legislature instead of House of Commons. It is difficult to appreciate the restricted view which consoles itself with narrow hyper-criticism of this kind. "Commonwealth" has a Cromwellian and typically English rather than American, flavor, but although many would be satisfied with a word associated with in many respects as glorious a period as any known to the history of England, yet its choice was due rather to the fact that it was a good wholesome Anglo-Saxon word, expressive of the political union best calculated to promote the commonwealth. "House of Commons" is an absurdity used of any representative assembly out of England, whether in Canada or elsewhere. Its appropriateness is indigenous to the country whose history gave it its origin and peculiar significance. It cannot be transplanted. There is and can be only one House of Commons. And if the House of Representatives is prescriptively American, it is equally applicable here, and we appropriate it with due and grateful acknowledgment.

A prevailing dominance of the central power is the characteristic mark of the Canadian Union. The centralization idea, and the subordination of the constituent provinces, is conspicuous throughout the Canadian system. It was very early seen that this would not be tolerated in Australia. The autonomy and dignity of the individual colonies, it was insisted, must be preserved to the fullest extent compatible with the establishment of the Union. No diminution in their powers was to be permitted except so far as was indispensable to the efficiency of the federation, and in respect of those large matters of common national concern, which could only be effectually dealt with by the central authority. The colonies wanted absorption as little as a precarious alliance under the name of federation. For this the United States gave us warrant and precedent. In Canada it is the powers of the provinces that are specified and limited, whilst all other powers—everything that is not confided to the provinces—is entrusted to the Dominion. The opposite method was pursued in America. The States retain all powers not expressly

given up, while the federal authority is entrusted only with certain selected and definite powers necessarily large, numerous, and far-reaching because they are national, but leaving what may be termed the undefined residue with the States. Australia follows the United States, and holds firmly by the principle of dual citizenship. Not only are the powers devolved upon the central authority specifically set out, but it is explicitly declared that "the powers, privileges and territories of the existing Colonies shall remain intact except in respect of such Surrenders as may be agreed upon to secure uniformity of law and administration of matters of common concern." It is obvious and generally admitted that far fewer questions are likely to arise for legal determination as between the federal and State legislatures in relation to their respective powers under the United States and Australian method than in Canada. The temptation to the central power in Canada to bring everything into its net is naturally great, and the power of the provinces to resist is necessarily lessened by the embarrassment of a specific enumeration of their own powers which, subject only to Imperial control, had previously been, as regarded their own concerns, unlimited. Unlike the British North American Act the Australian Commonwealth Bill in no way interferes or permits interference with the constitutions of the respective states. The governors also of the respective colonies will continue to be appointed by the Crown as heretofore, unless the colonies themselves, with the approval of the Imperial authority, should hereafter legislate for some different method of appointment—election, for example, by the vote of the people. Elective governors are as yet unknown to British dominions. In Canada, on the other hand, the lieutenant-governors of the provinces are appointed by the Governor-General upon the advice of his ministers. Difficulty, therefore, has arisen there as to whether lieutenant-governors are the representatives of Her Majesty or merely officers of the federal authority. A problem of this kind can never arise in Australia. Then again in Canada the Governor-General possesses the power of vetoing provincial legislation. The existence of such a power renders a federal judiciary on the model of that of the United States less essential in Canada, where in point of fact a true federal

judiciary does not properly exist. In Australia there is no such veto, and therefore, where provincial legislation may be thought to conflict with federal legislation, policy or interest, the Federal High Court alone can solve or adjust the dispute. The omission of this power of veto from the Australian measure was not due to any jealousy of the federal power, or because the omission would leave greater freedom of action to the state, but simply because the colonies would never consent to give this power of veto to the Governor-General and his ministers. It remains so far as regards state legislation, equally with federal legislation, as it always has done, with the Queen and subject thereto with the Federal High Court, which, like the Supreme Court of the United States, is the constitutional tribunal to decide upon any conflict of legislative jurisdiction between the federal and state parliaments. Moreover, the governors of the states may communicate directly with the Crown as hitherto, whereas in Canada the Governor-General alone is the channel of official correspondence. It is no doubt probable that as time goes on the state legislatures may undergo changes and limitations not only in their powers, but in the number of chambers and the number of members of which they consist. This may arise both from economical considerations and the natural accretion of power to the more powerful central government, but the point to be observed at present is that the Commonwealth Bill leaves all this to the growth of time, and constitutional development, recognizing that, subject thereto, the status of the separate colonies should be undisturbed as far as possible. A further point of difference lies in the fact that the members of the Canadian Senate are nominated by the Governor-General for life—practically a ministerial nomination. The effect is to render the Canadian Senate an anomaly and an absurdity, and to reduce it to a position of weakness, if not impotence, in the legislative organism of the Dominion. It is notorious that the Canadian Senate has become for all governing purposes a valueless institution. In Australia the Senate, resting upon the same franchise as the House of Representatives, is strong with the strength derived from the direct vote of a free people, and can never cease to exercise a potent influence in the state unless through folly, abuse of its

functions, or a betrayal of the interests confided to it by its constituents. According to the Judicial Committee of the Privy Council in the case of *Bank of Toronto vs. Lambe*, the Canadian is "a carefully balanced constitution under which no one of the parts can pass laws for itself except under the control of the whole acting through the Governor-General." This expresses a constitutional position the very reverse of that under which the people of Australia have consented to live.

The substance of the Australian Commonwealth Bill divides itself generally into two main parts—one embodying the constitution strictly so called, and the other the bargain or business arrangement between the separate states upon the basis of which they agree to unite. The constitution may be further divided into the various provisions dealing with the legislative, the executive, and the judicial powers. The Queen, the Senate, and the House of Representatives constitute the Parliament, and must concur in legislation. As in the United States, the Senate represents or expresses the federal principle, namely the equality of the individual states, and, therefore, like the American, is founded on the principle of equal representation for each state. This was not yielded by the more populous colonies, any more than by the larger States in 1787, without a prolonged and severe struggle. Without it there would have been no federation. There are, however, broad and vital distinctions between the American and the Australian Senate. In the first place, the conspicuous feature in the Australian Constitution—affecting not the Senate alone, but every other part of it—is the direct influence and power exerted by the people upon their representative men and governing bodies. No conventions or other political buffer-machines have any place in the Australian system, nor can any such contrivances interpose between electors and elected. The Australian Constitution, it may be convenient to say here, is essentially more democratic than the American. It is a people's constitution if ever there was one. All power in the ultimate resort rests not theoretically but actually with the people. They elect the Senate, equally with the House of Representatives, by direct vote upon the same suffrage—in South Australia by adult suffrage—women having the franchise as well as men; in the

other colonies by manhood suffrage unless and until that may be enlarged to adult suffrage. The suffrage may be broadened, but the constitution does not permit it to be narrowed. Each state is to have six senators to be elected by the state voting as one constituency. They are to hold office for six years, but half of them retire every three years so that the Senate shall have a continuous existence, but with a rotation which shall keep it in touch with the people. The only qualification for membership of the Senate is that the candidate shall be a subject of the Queen either natural-born or naturalized: twenty-one years of age and entitled to vote at the election of members of the House of Representatives or qualified to become such elector, and having been for three years resident within the Commonwealth. Nothing could well be more liberal. Wealth and poverty are alike ignored. It may almost be said that a citizen's qualification for the Senate is the choice of his fellow citizens. This also is the qualification for membership of the House of Representatives, which is elected upon the same suffrage but by districts, into which the respective colonies are to be divided instead of, as in the case of the Senate, by each colony voting as one constituency. The House of Representatives stands for the unitary or national principle in the federation. It is to be elected for three years, not as in Canada for five years. "As nearly as practicable there shall be two members of the House of Representatives for every member of the Senate." This plan was adopted so as to maintain a constant proportional strength between the two houses—the House of Representatives to be kept from being so large as to overawe the Senate by sheer force of numbers; the Senate, on the other hand, not to be numerically so small as to resemble a mere council or conference of delegates rather than a deliberative assembly. Members of the local or provincial parliament are eligible for the Federal Parliament. Many Federalists at the time felt this to be a mistake and unworkable, but the more radical section of the convention pressed for and secured it. Since the bill was accepted by the people reflection has made the blunder clear, and local parliaments have passed resolutions declaring that their members shall not be eligible to hold seats in both.

The American Senate is a check upon the President. The

Australian Senate will be a check upon the House of Representatives. The states as represented by the Senate will be a check upon the masses as represented by the House of Representatives. The strength of the American Senate lies in its executive or quasi-executive powers. The strength of the Australian Senate—shorn of all executive functions—will lie in its popular election. A nominee Senate as in Canada could never hold its own against a popular chamber, but when the Senate is itself a popular chamber, there can be no taunt that it does not represent the people and must yield at discretion to the chamber which does. At the same time it must not be assumed that the two houses of the Australian Federal Parliament are co-equal. They are not. The Australian Senate has no power either to originate or amend bills imposing taxation or appropriating revenue. It may, if the exigency demands, take the responsibility of rejection, and it is given the right of suggesting amendments. The former would only be justified in an extreme crisis—to avert perhaps a greater peril. The latter is an admission that even in finance the Senate is not a mere machine for registering the decrees of the other house and that its opinions are entitled to be urged and to have weight. The expression of its opinions cannot be hampered by "tacking."¹ It is forbidden. The American Senate, on the other hand, takes very effective control over the national finances.

At this point there are to be noted two very essential and conspicuous differences between the American Constitution and the Australian. These are, first, the adoption in the latter of the cabinet system of responsible government, and secondly, an arrangement by which ultimately what are called deadlocks between the Senate and the House of Representatives may be overcome. Both, it may probably be admitted, are very decided improvements upon the American model.

The "evil of two co-equal Houses of distinct natures," wrote the late Mr. Bagehot, "is obvious . . . Most constitutions," he continued, "have made this blunder. The two most remarkable Republican constitutions in the world committed it. In both the American and Swiss Constitutions the Upper House has as much authority as the second. It could produce the maximum

¹ "Riders."—(Eds.)

of impediment—a deadlock if it liked: if it does not do so, it is owing not to the goodness of the legal constitution, but to the discreetness of the members of the Chamber."

Mr. Woodrow Wilson in his admirable book on "Congressional Government" combats this view and points out that the criticism is inapplicable to Congress because the two houses are of the same and not of "distinct natures." As we have already clearly shown, the two Australian houses are not only of the same nature but they are not co-equal and, therefore, they are doubly fortified, so far as experience can guide, against the possibility of deadlock. The operation of the system of responsible government—accepted as a cardinal principle of the constitution—is incompatible with equality of the houses. The Queen's ministers for the Commonwealth are to be appointed by the Governor-General and will constitute the Federal Executive. They are to administer the Departments of State; they are to hold office during the pleasure of the Governor-General, but no minister can hold office for more than three months unless he is or becomes a member of the Senate or House of Representatives. This last provision, in an unostentatious way, links the executive directly with Parliament, and lets in the English plan of responsible government which has reached its maturity—one might also almost say its perfection, well within living memory. The Queen's ministers—her Cabinet—are responsible to one House of Parliament—the House of Commons. Responsibility to both Lords and Commons would mean chaos. To the House of Commons alone ministers are answerable for policy and administration; by the House of Commons alone ministries are made and unmade. It is the forum in which the actions and policy of the government of the day are challenged; it is there their policy must be expounded and their acts of omission and commission defended. It is the vote of the House of Commons which dismisses them. The fall of the Prime Minister involves the overthrow of all his colleagues. How entirely unlike is the American system! The President is, short of impeachment, irresponsible. The basic theory upon which the framers of the American constitution proceeded was that of separating the legislative from the executive, but the mistake was in assuming

that the executive meant the King, instead of his Prime Minister or Cabinet. "In trying to modify the English system so as to adapt it to our own uses it was the archaic monarchial feature, and not the modern ministerial feature, upon which we seized."¹ The Philadelphia Convention tried to "copy the British Constitution, modifying it to suit their Republican ideas, but curiously enough what they copied in creating the office of president was not the real English Executive or Prime Minister, but the fictitious English Executive, the Sovereign." It might perhaps be better to say that in substituting the President for the Sovereign, they simply substituted an artificial or elective and temporary sovereign for an hereditary one, but overlooked or omitted to provide the most valuable of checks, the responsibility of his executive officers to the people's representatives. The transcendent principle of the British Constitution which secures government by the people through their representatives in Parliament, and the responsibility of ministers and not the monarch to Parliament, was not then even in England so well understood or defined as it has since become, and this perhaps accounts for the fact that in a political system intended to entrust the people with the fullest sovereignty, this element of control through their representatives is unknown. Mr. Woodrow Wilson (p. 249), affirms that a "President's usefulness is measured not by efficiency but by calendar months. It is reckoned that if he be good at all he will be good for four years. A Prime Minister must keep himself in favor with the majority, a President need only keep alive." Whilst, therefore, the House of Commons is absolute and supreme and appoints and dismisses the executive: in America the President's ministers or secretaries are literally his officers appointed, retained and dismissed by him at his pleasure: responsible only to him, they are forbidden seats in Congress; so that if in that arena the policy or administration with which they are identified is assailed they can neither vindicate the one nor defend the other. Both policy and administration are the President's: in England and her self-governing colonies they are the ministers. Australians, therefore, view the American system as at variance with the rights of the people to

¹ Fiske, *Critical Period of American History*, p. 298.

government and of their representatives to arraign ministers and dismiss them whenever confidence in them is gone. Power and prompt accountability for its use are essential constituents of good government. "The best rulers are always those to whom great power is entrusted in such a manner as to make them feel that they will surely be abundantly honoured and recompensed for a just and patriotic use of it and to make them know that nothing can shield them from full retribution for every abuse of it." Whatever its other merits or demerits, the English plan of responsible government seems to fulfill these conditions. The framers, therefore, of the Australian Constitution felt impelled to adhere, if it were possible, to the English system. It was that to, which they were accustomed. Nevertheless, it was seen that to, engraft the system upon a Federal Constitution was plainly a departure from precedent. The obvious difficulty was to reconcile it with the theory of a Senate approximating, in its *raison d'être*, to that of the United States. It was accordingly resisted by the rigid conservative section of Federalists—particularly those of the small states party—who professed to dread the consequences of committing the fate of ministers entirely to the House of Representatives and the consequent aggrandisement of the mass vote. The cry raised was that either responsible government would kill federation or federation would kill responsible government. The majority, however, disbelieved in either result. They were convinced that responsible government must be preserved and that the good sense and governing instinct of English-speaking people would enable it to live and work well in a federal system.

The supreme power being thus confided to the House of Representatives, there seemed little room to apprehend any conflict between the houses likely to produce or become a deadlock. A stubborn difference of opinion could only arise from one house professing to more accurately interpret the wishes of the people than the other, and both being responsible to the people, a power of dissolution, so as to send members to their constituents for re-election and for, so to speak, fresh instructions, appeared certain to prevent the possibility of any prolonged or lasting struggle.

Power, be it noted, is given to dissolve the Senate as well as the

House of Representatives. Some, however, of the ultra-democratic section affected to see that, unless means were taken to secure ultimate dominance to the more numerous branch of the legislature, the Senate, if composed of strong men, would practically possess the power of veto. To this the democratic instinct refused to submit, although it was pointed out that if upon a dissolution the people supported the House of Representatives this imaginary veto would never be pressed home. In the end, after much controversy, a radical proposal for solution by the people themselves upon a mass referendum was rejected, and it was provided that, in case of conflict between the two houses in consequence of the Senate rejecting a proposed law sent up by the House of Representatives or making amendments to which the latter house would not agree, if, after an interval of three months, the bill should be sent up again by the House of Representatives and similarly treated by the Senate, the Governor-General might dissolve both the Senate and the House of Representatives simultaneously. By this means the people would have an opportunity of passing direct judgment upon the measure as well as upon their representatives in both houses and delivering their mandate as to what they wished. But if, after the dissolution, the new House of Representatives adhered to the proposed law, and the Senate to their opposition or amendment of it, then it is provided there shall be a joint sitting of the two houses, when the question shall be finally resolved by an absolute majority of the total number of the members of the Senate and the House of Representatives and the contentious measure be ordained either to disappear or become law.

The federal judiciary is established on the United States pattern and with similar jurisdiction. Its apex is the High Court of Australia corresponding to the Supreme Court of the United States. It is not, however, incumbent to create, as in the United States, a whole new and separate set or network of federal courts. The Commonwealth Parliament is empowered to invest existing state courts, if necessary, with federal jurisdiction. There will be a Chief Justice and not less than two judges, who cannot be removed except for proved misbehavior or incapacity. The debatable element in relation to the judiciary is concerned

with the question of abolishing, retaining, or limiting appeals to a venerable and distinguished court in England called the Judicial Committee of the Privy Council, which is the existing court to which colonial appeals go. There are important and cogent reasons against the continuance of these appeals. The High Court of Australia is necessary, and is established by the constitution. It must be a strong and dignified tribunal. It will be domiciled in Australia. It will be a reproach to the 4,000,000 of Australian people if it is not competent to deal out final justice. Why then should another, a distant, expensive, and dilatory appeal be preserved to litigants unsuccessful here? There are disappointed suitors who, if there were a dozen courts of appeal, would exhaust them all in the hope of exhausting their adversary. Moreover, the prestige of the High Court of Australia must suffer if its judgments are made subject to revision and reversal by another court.

The chief argument against making the decrees of the High Court final is that the particular court of appeal in England is, or looks like, a link with the mother country, and that to dispense with the appeal is to sever this so-called link. How a private right of appeal to one of the Queen's law courts rather than or instead of another, can be a bond of empire, it is difficult to see, but such is the contention. It is to be hoped the British Parliament will be wiser than to interfere with the judicial arrangements prescribed in the bill.¹

Intercolonial free trade and efficient defence are of course two of the main objects intended to be secured by the Union. To

¹ After a considerable discussion and several proposals to retain the right of appeal to the Privy Council in a restricted form, an amendment to Clause 74 was adopted restraining the right of appeal as it has hitherto existed only in one specified contingency. This restriction provided that:

"No appeal should be permitted to the Queen in Council from a decision of the High Court of the Commonwealth upon any question as to the limits *inter se* of the constitutional powers of the Commonwealth and those of any State, or as to the limits *inter se* of any two States, unless the High Court should certify that the question was one which ought to be determined by the Privy Council."—Report of Mr. Chamberlain's statement in Parliament June 18, *London Weekly Times*, June 22.

Mr. Chamberlain announced that this compromise had received the assent of the Australian delegates in London. The Bill as amended passed the Commons June 25th, the Lords July 5th, and received the Queen's assent July 9th. (Editors' Note.)

attain the former the control of all duties of customs and excise and of all bounties is placed solely in the hands of the central federal government. An interstate commission is to be established, generally upon the lines of that in America, for executing and maintaining the provisions of the constitution relating to trade and commerce, including the control of railway rates, so as to prevent preferences and discrimination tending to defeat freedom and equality of trade. The Parliament of the Commonwealth is also entrusted with powers of borrowing money, with supreme control over naval and military defence, with the postal, telegraph, telephone and other like services, with quarantine, lighthouses, lightships, beacons and buoys—all in the common interest of facilitating trade—census, statistics, in which, of course, uniformity is eminently desirable. For the same reason the currency, coinage, banking, insurance, bankruptcy, and insolvency laws devolve exclusively upon the Federal Parliament. So also marriage and divorce laws—a provision which will prevent that diversity of state laws on the subject which has produced curious results and inconveniences in the United States. Amongst these are also included powers of dealing with two subjects of advanced legislation, namely, invalid and old age pensions, and conciliation and arbitration for the settlement of industrial disputes. The Federal Parliament will have supreme control over all external affairs, including the islands of the Pacific, and also over immigration and emigration, including the power of dealing with the influx of criminals and of alien races. Uniformity in relation to the service of process in civil and criminal matters throughout the Commonwealth, and the recognition of the judgments of the courts of the states, may be provided for by the Federal Parliament. There is besides all these and others we have not enumerated, an important general power for the Commonwealth Parliament to legislate upon any matters which **any of the states may choose to refer to it.**

That portion of the Commonwealth Bill to which we have referred as expressing the bargain or business arrangements between the federating colonies calls for no special reference in this article. It is chiefly concerned with the arrangement made in respect of the financial position and needs, on the one hand, of

the Commonwealth and, on the other, of the states. But these points are peculiarly local and of no very general interest outside Australian borders. In this connection two subjects of importance are left open. One as to whether the central government shall take over the railways, which are the property of the states, and the other whether in like manner the Commonwealth shall take over the debts of the respective states. Power is given in the bill to deal with both.

Alterations of the constitution may be brought about more easily than in the United States. In Canada the Dominion Parliament has no express power of amendment, the effect being that amendment is unrestricted except that it requires to be enacted by the Imperial Parliament. In America the amendment must be demanded by two-thirds of both houses of Congress, or by the legislatures of two-thirds of the States and then be ratified by three-fourths of the States. In Australia the proposed alteration is to be passed by an absolute majority of each House of Parliament, subject to a provision making an absolute majority in the house initiating the alteration sufficient under certain circumstances; then it is to be submitted to the electors; and becomes law if a majority of the states, by a majority of the electors in each and a majority of all the electors of the Commonwealth voting, approve.

The basic principle of the Federal Constitution for Australia is clearly "Trust the people." Never before has so democratic an instrument of government been framed. The people have ratified it. It was intended to enlarge their powers of self-government. That purpose, at least, is achieved. Of the American Constitution, Alexander Hamilton said: "It had not a little contributed to the infirmities of the existing federal system, that it never had a ratification by the people. Resting on no better foundation than the consent of the several legislatures, it has been exposed to frequent and intricate questions concerning the validity of its powers and has in some instances given birth to the enormous doctrine of a right of legislative repeal. Owing its ratification to the law of a State, it has been contended that the same authority might repeal the law by which it was ratified. The fabric of American Empire ought

to rest on the solid basis of *the consent of the people*. The streams of national power ought to flow immediately from that pure original fountain of all legitimate authority."

Nevertheless that constitution has stood the test of time, the strain of national adversity, and the no less severe strain of national prosperity. It has stood the shock of the greatest civil war the world has ever known. Sufficient for thirteen States on the Atlantic sea-board, it has proved equal to the needs and happiness of forty-five States and about 80,000,000 people. We may take that as of good omen for Australia. Originating with and ratified by the people, the Commonwealth Bill has the best of human sanctions. It has *the consent of the people*. Framed so as to give the fullest scope to the self-government of a robust democracy, it should never languish or prove unequal to its purpose so long as democracy is true to itself. The people always rise to their responsibilities and with the freedom and competition in public affairs, inseparable from responsible government, there is not likely to be any lack of leaders to guide them aright.

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SCHMOLLER'S GRUNDRISS.

THE appearance of Professor Schmoller's book¹ deserves especial consideration, not only because a systematic work from any economist of his rank is a noteworthy literary event, but for reasons connected with the author's own life and his position in the practical and theoretical movements of the last third of the nineteenth century. The thirty-six years of constant scientific activity whose results are summarized in this book have been notable ones in the history of Germany. Professor Schmoller began his academic career at Halle in the year of the Danish War. Since that time he has seen the states of Germany, formerly discordant and jealous, consolidated as the result of three great wars into a powerful empire under the hegemony of Prussia. He has witnessed the adoption by that empire of a unified currency on a gold basis, the establishment of an admirable banking system, the assumption by the various states of almost the entire railway system, and the enactment of a vast body of legislation, covering not only the fields of civil, criminal, and commercial law, but entering with startling boldness upon new paths of socio-political regulation, reforming taxation, regulating the factory system, and providing compulsory insurance for millions of people. Hand in hand with these political changes, an almost revolutionary economic development has taken place. The population has increased from 41,000,000 in 1871 to 51,700,000 in 1895, manufactures have multiplied, exports have grown; from a mainly agricultural state Germany has become a great industrial center, and has even embarked upon the high sea of *Weltpolitik* and become a founder of colonies. The grouping of political parties has also undergone great changes in this time. The liberal groups of the early days of the empire have been ground between the upper and nether millstones of conservatism and socialism, until the strongest single party in the Reichstag at the present day is the *Centrum* or clerical, with

¹ *Grundriss der Allgemeinen Volkswirtschaftslehre.* Von Gustav Schmoller. 1, grösster Theil. Leipzig, Duncker und Humblot, 1900—pp. ix, 482.

about 25 per cent., and the next strongest is the socialist, with about 14 per cent. of the membership. The doctrine of the divine right of kings, which a generation ago was generally considered an anachronism, has been revived by the emperor with a sincerity and an ability which almost give it plausibility, and certainly arouses little opposition outside of the ranks of the socialists.

Professor Schmoller has not been a mere spectator of these events; he has done his share in the making of history. When the new university was established at Strassburg in 1872, he was among the first to be sent into the new German possessions and by his historical investigations into the history of that city contributed towards the reconciliation of the Reichsland to its new master. In 1882 he was called to Berlin, where he has since resided, and where, in addition to his work in the university, he has been active as a member of the Academy of Sciences, and of the House of Lords of the Prussian Diet. He was one of the founders and may still be described as the leading spirit of the *Verein für Socialpolitik*. This association represents the scholarly side of recent social legislation in Germany. It has supplied much of the material on which that legislation is based, and has helped in no small degree to influence public opinion in favor of larger state activity. Professor Schmoller has also influenced public affairs as editor of his series of *Forschungen*, now in its twenty-third year, and of his *Jahrbuch*, which he has directed since 1881. He has had a peculiarly stimulating effect upon the production of monographic literature, while through his numerous pupils who now occupy public positions or university chairs he has had a great influence upon thought. It would be safe to say that few, if any, men in Germany outside of official life have had a greater influence upon public affairs, few, if any, men in university circles have had a more stimulating effect upon their pupils. And yet the greater part of his own work has been historical. He has written comparatively little with regard to pure theory, apart from single articles for magazines and the section *Volkswirthschaft* in the *Handwörterbuch der Staatswissenschaften*. It is precisely for this reason that his book has been awaited with so much interest. In one of his earliest controversial pamphlets, the celebrated essay *On Certain Funda-*

mental Questions of Economics, published in 1875, he says: "On the one side there are the natural technical causes which the older political economy considered exclusively, on the other there are those causes which grow out of the psychological, moral life of the people which have been hitherto named from time to time, but not studied systematically in their significance for political economy. There will not be a science of economics in the strict sense of the word, until not only the first but also the second series of causes has been thoroughly investigated." (Page 42.) It is not an accident that his first systematic work appears comparatively late in Professor Schmoller's active career. The whole of his past life, and all of the historical investigations which he has made, stimulated, and studied, have been in a sense a preparation for this book in which, as he himself says, he draws the final summary of his scientific and personal convictions.

In trying to form a judgment with regard to a new systematic work on economics we naturally ask ourselves three distinct questions: 1, what are the author's views with regard to the character and methods of the science; 2, in what manner has he put those views into execution; 3, what positive scientific results does the book show, what additions has it made to our previous stock of knowledge? The third question, which is perhaps the most important, can unfortunately not be answered fully and finally now, because the present volume is but a part, though the larger part, of the completed book. We shall therefore in the present article of necessity restrict ourselves to the first two.

I.

Professor Schmoller's conception of the character and aims of economic science cannot be better expressed than in his own words. He defines the task of economics to be as follows: "To describe and define economic phenomena, to draw a truthful picture based upon scientific conceptions in the whole and in detail, as well as to understand these phenomena as a connected whole and as a part of the whole life of the people, to describe the single fact with reference to its causes, to learn how to understand the economic evolution, if possible to predict the future

and to make the way clear for it." (Page 76.) It is thus clear that definition and description are the most important part of the subject to Professor Schmoller; analysis, generalization, the framing of economic laws, are implied in the prediction of the future, but are approached with extreme caution. And yet the difference between his conception on the one hand and that of most of the English school, as well as of many German, French and Austrian authors on the other, is mainly one of proportion and emphasis, not of essence. The so-called classical school did not eschew economic history or economic statistics, but they devoted most of their energies to the reasoning out of economic laws or principles. Even Professor Wagner, who stands shoulder to shoulder with Professor Schmoller in the practical application of economics to present day problems, differs from him quite radically in this conception of method. He would emphasize principles and deduction more than Professor Schmoller, and would put his statements in a more dogmatic form, though by no means neglecting economic history and description.

Professor Schmoller's conception of economics is reflected in the outward arrangement of his book. Over one hundred pages in the beginning of the volume are devoted to an introduction in the narrower sense of the word, in which the general psychological nature of man is studied and a short sketch is given of economic literature. The work proper is divided into four divisions: the first treats of certain phenomena of economic life such as the land and its physical characteristics; the races of mankind; population, its movement and divisions; and the development of the technical arts. The second book treats of the economic constitution of society, describing in detail the family, the state, and its divisions, the division of labor, property, social classes and the legal forms of modern business. This book concludes the present volume. The third book which is to consider economic functions, especially the circulation of money, value, credit, and distribution, will doubtless contain what is commonly understood among English economists as political economy proper; while the last book is to be a summary of results. There is no indication as to how the space in the second volume is to be divided between these two books. But it is stated that the whole

of the second volume will contain between two hundred and forty and two hundred and eighty-eight pages. As the present volume contains four hundred and eighty-two pages, it is evident that the study of economic processes will certainly take up much less than a third of the entire space, while some two-thirds are devoted to laying the foundations.

In this introductory volume, Professor Schmoller sets before us the teachings of history, sociology, geography, meteorology, ethnology and mechanics as far as they bear upon economics. He discusses the important question of the influence of environment upon character; he traces the peculiarities of the different great races of the earth, and he shows the gradual growth of the mechanical control of man over nature through the invention and use of tools, fire, and machinery. The theory of population, which is put by some economists under the head of consumption, is here treated very properly in the descriptive part with a full use of the statistical material which has accumulated since the time of Malthus. In the second book, which treats of the social organization of political economy, Professor Schmoller discusses at considerable length the early formation of the family, in particular the question whether the matriarchate existed generally before the development of the patriarchal family, reaching the conclusion that it did. A very attractive chapter is then devoted to methods of settlement, the formation of cities in ancient and in modern times, etc. In the chapter upon the state and the town, he not only explains the economic functions of the state in general as compared with the individual, but describes the elements of taxation and credit, matters which in Germany would ordinarily be treated in a separate book on finance, or, in English books, put at the end of the whole subject under some such head as the influence of government. One of the most suggestive chapters in the book is the one upon the division of labor, which he treats in a characteristically broad manner. The purely mechanical differentiation of functions, which is commonly described under this head, is shown to occupy a relatively small place in the organization of society. He defines the division of labor as "the general and permanent adaptation of human labor to definite, specialized tasks and activities which the individual

exercises not for himself, but for several, for many, for the nation, or also for foreigners." (Page 327.) Thus the differentiation of the primitive professions of priest, warrior, and official is an example of the division of labor. This idea is not in itself new, but its treatment is extremely skillful and suggestive, especially as it is fully illustrated by statistics showing the division of labor in modern states. In describing the general results and contrasting the optimistic view of classical economics with the pessimistic view of the socialists, he says: "The division of labor is neither an absolutely harmonious, nor an entirely anarchical but a social process, which has its foundation in unity of speech, thought, needs, and moral ideas, and its support in unity of custom, law, and commercial organization. It is a battlefield upon which strife for the mastery and error have left their marks, but it is at the same time a community of peace with an increasing moral order." (Page 363.)

The subject of social classes does not immediately follow that of the division of labor, but a chapter upon property and its distribution is inserted between the two. The book ends with an admirable chapter upon the forms of business enterprise, in which not only the various types of industry, such as small trades, house industry, factories, etc., are described, but also the legal organization which shows itself in the modern firm, the joint stock company, the coöperative society and the union of undertakers known as a trust, or ring.

From what has been said of this volume one might judge that the method adopted by Professor Schmoller was entirely that of the historian. In his discussion of method, however, he shows that he takes a much broader view. He does not confine himself to observation and analysis. He also recognizes the importance of deduction as a logical aid. "Those," he says, "who are regarded as the advocates of inductive investigation among modern German economists, do not condemn deduction as such, but only such deduction as rests on shallow, insufficient premises, which they believe they can replace by more exact ones, based upon better observation." (Page 110.) The distinction is obviously one of degree and proportion rather than of essence. Professor Schmoller does not reject deduction, Professor Men-

ger, Professor Wagner and the English economists do not reject induction. But Professor Schmoller has less confidence in the former and more in the latter.

II.

Having endeavored to explain the conception of the aim and method of economics which Professor Schmoller's book embodies, we must now say a few words with regard to the success with which he has realized his ideal. That the book gives evidence of broad scholarship will be readily taken for granted, but it does much more. It shows a thorough grasp of the subjects treated. We have here an example of the best work of the historical school. In reading Roscher one cannot always avoid the impression that his historical lore has been pigeon-holed rather than digested. In the case of Schmoller it is all assimilated. Moreover the story is told in a most agreeable form. The book is never tedious. Though filled with references to a wide range of literature, with descriptions, and with statistics, it is written with a grace of style which prevents the reader from being overpowered by the mass of facts presented. A very remarkable thing is that in the whole book there is not a single foot-note, so that the reader can follow the thought of the author without interruption. The convenience of the reader is further ministered to by a full analytical table of contents, by the division of the book into paragraphs, by running head lines at the tops of the pages, and by two full alphabetical indices at the end, one referring to persons, the other to subjects. Finally the book is published in a neat cloth binding with the leaves cut, a convenience which every consumer of foreign books will certainly appreciate. All of these mechanical and semi-mechanical details deserve full recognition, as well as the comparative freedom of the book from misprints. The few that we have noted have been mainly in the spelling of foreign words and are seldom of importance. It is the more to be regretted that, since so much was done for the reader, the publishers did not go one small step farther and use Latin type, a concession which even the great *Handwörterbuch der Staatswissenschaften* has made in its second edition. For one who desires a comprehensive review of economic history

and of the growth of economic institutions written in the evolutionary spirit, no better work can be found than the present volume.

This statement does not, of course, imply that the book is infallible. The very fact that the author has undertaken to cover so many auxiliary sciences, such as history, philosophy, geography, ethnology, sociology, must render him peculiarly liable to errors which will be detected by specialists. Take e. g., the second chapter of Book I, in which he enters into a description of the economic peculiarities of the different nations of the world. In speaking of the inhabitants of the United States he says: "Precocious children, half-grown youths rush into the chase for the dollar. It is true that moral elements are not lacking: in the old New England States there is still found Puritan Quakerism; in New York there is still something of the Dutch thrift; in Virginia and other Southern States the traditions of the English aristocracy have not died out, while in Boston and Philadelphia English learning is mixed with American Puritanism. . . . On the whole, however, the character is everywhere similar. They are efficient (*tüchtige*) men, but without deep culture, without rich feeling, without amiability. . . . Enthusiasm is, in the United States, a rare thing; cool calmness of mind is necessary in order to become rich. Even the view of the Falls of Niagara only awakens in the Yankee the thought of how much unused water power is going to waste." (Page 157.) Professor Schmoller disarms criticism at the very opening of this section by speaking of the difficulty of getting at the exact facts and especially of expressing the truth in a few lines, and as he has never visited the United States, any criticism of the one-sidedness of this characterization would apply less to him than to those from whom he has derived his information. American readers of German newspapers will be as little surprised at this passage, as at the statement that the Englishman "brutalizes and abuses the weaker races and classes." The important point is, not that such statements are misleading, but that they are gratuitous. The degree of fondness which the Yankee shows for the almighty dollar may be important to the German immigrant who settles in the United States, but it is not clear that it has any

effect upon economic principles. If the object of the section is to prove that men are not exactly alike in their temper and mental attributes in all parts of the world, it is unnecessary. Every child old enough to read knows that. If it is intended to go further and prove that these differences essentially modify economic processes, that, e. g., wages, interest, rent, are determined by different principles in different countries on account of these mental peculiarities, it is inadequate. In its implication that there exists a distinct and definable national type, especially in a country containing such heterogeneous elements as the United States, it is misleading.

Another thing which will, perhaps, strike the reader is that the proper proportion is not always observed in the treatment of individual subjects. A chapter of twenty-five pages, e. g., is devoted to the consideration of the family, and Professor Schmoller goes at great length into the much debated question as to whether the patriarchal family was generally the beginning of social organization or whether it was preceded by the matriarchal. It is difficult to see how this question, regarding which the evidence is at best very incomplete, can affect any purely economic question. On the other hand, the subject of the division of labor, which is so admirably treated, might well have been expanded in its purely mechanical part, and we miss altogether in this part of the work any attempt to define, analyze, and explain capital. This subject is obviously reserved for the second volume, and yet one would naturally think that if labor, population, land, and natural resources are so fully discussed in this part, as well as the different forms of organizing capital, the important category of capital as such would receive thorough treatment in the same connection.

There is another peculiarity of the book which the writer hesitates to touch upon for fear of doing injustice to Professor Schmoller. And yet precisely to prevent injustice and misinterpretation it should be referred to. In some parts of the book there is a tendency to use derogatory epithets and expressions regarding authors and opinions, which often seem to contradict the judgment expressed in other parts of the same book, and to be quite at variance with Professor Schmoller's natural generosity and fairness. Such words as *schablonenhaft*—

kindlich—phrasenhaft—are not uncommon, and it would be easy, by putting together such passages, to make the author seem intolerant of all who differ with him in opinion or who do not belong to his school. Indeed, there are not lacking German economists of distinction who have reproached him with such a spirit. Not only in the use of phrases, but also in the general method of treatment does this tendency occasionally show itself. In the introduction of the chapter on the growth of scientific economics in the present century, he refers to certain writers of the XVIIth and XVIIIth centuries as the forerunners of the present scholars, who are endeavoring to increase the stock of accepted truth. Among them he mentions Süssmilch, but does not mention Malthus. He refers to Arthur Young's travels, but leaves out Adam Smith. The impression which one inevitably gets from a first reading of this section is that Süssmilch and Young were scientific authors while Malthus and Adam Smith were not. Yet in speaking of Adam Smith he says quite frankly that his work "bears the stamp of sober science and empirical investigation" (page 91), and in speaking of population he gives a fair account of the theory of Malthus. One cannot but feel that there is an apparent tendency to overrate the importance of purely descriptive, monographic work, which may not in reality agree with Professor Schmoller's own estimate of it. The best proof certainly that he considers the monographic work to be but a preparation for systematic work, lies in the fact that he himself should have undertaken the publication of a general treatise.

As stated above, it is not possible at the present time to estimate the positive advances in economic theory which Professor Schmoller's book will make, because the theoretical part is still to come. To estimate the final effects of the economic policy of which he is an advocate and which in Germany goes popularly by the name of *Kathedersozialismus*, is equally impossible in view of the comparatively short experience that we have had and the uncertainty as yet of the results. Even a brief discussion of it would carry us beyond the limits of the present article. We only note, in passing, that though he has always been an advocate of what is called state socialism and a strong opponent of the doctrine of *laissez-faire*, he recognizes that the movement must have its limits when he says: "Whether we have not now already

become too state-socialistic, whether we could now go much further, these are questions regarding which parties and classes are at variance. I believe that the movement towards state management, still more towards municipalization, is still growing, but it will not, in the immediate future, extend itself to very important and large fields." (Page 323.) But whatever the final judgment of the world may be on Professor Schmoller's contributions to economic science, we can already see that he has rendered most important services. There was undoubtedly a tendency among economists of thirty years ago to rest on their oars; among many there was perhaps an optimistic over-confidence in the results already obtained by the authors of the classical school. The most important step to be taken was to study carefully by means of monographs, not only the history of economic phenomena, but also the institutions and movements of the present day. In realizing a generation ago the importance of this work and in contributing so much towards its execution, Professor Schmoller showed no less wisdom and foresight than courage. The danger which confronts his school now is that it may over-estimate the importance of the monograph, that it may exhaust its energies in the accumulation of raw material, and neglect the logical building up of the structure of the science. There is also a danger that the younger generation, thinking only of the successes of our own time, may fail to do justice to the men who preceded and to their methods. Most reactions are drastic and liable to be overdone. It was perhaps necessary in the early days of Professor Schmoller's scientific work that he should use vigorous language with regard to the more conservative economists whom he opposed; many of them used equally vigorous language with regard to him and his friends. But that does not justify the continuance of personal polemics at the present day. Still less does it excuse a chauvinistic attempt to belittle the work of other nations, other times, and other schools, such as we sometimes find among the lesser luminaries of the German universities. The tone of moderation which prevails in Professor Schmoller's work ought to go far towards encouraging a better spirit in this respect and giving economic controversy in Germany more of a scientific and less of a personal character.

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ITALIAN EXPANSION AND COLONIES.

THE history of the colonial ventures of modern Italy is brief and inglorious; at the present time, after much bloodshed and expense, it can hardly be said that Italy possesses any real colonies from whose administration and development an economic or political lesson or warning can be gained. And yet the struggles of Italy during the last twenty years to found a colonial empire, after the manner of other European states, possess a peculiar interest for the student of colonization—that interest which attaches to deviation from normal inception and development.

Italy is a nation which, by taking thought, hoped to add unto her stature. Granted that England's greatness is emphasized and augmented by her colonial possessions, it is at best a logical *non sequitur* to conclude that Italy, by acquiring colonies and possessions, will thereby take her place among the Powers. And yet the Italians seem to have believed it possible to substitute for the long and toilsome road from cause to effect a convenient shortcut from effect to cause. Colonies were not only to increase Italy's political importance; they were also to build up her trade, develop her merchant marine and make her rich. Thus the normal order of evolution was reversed in this suddenly evoked colonial policy, and the consequences, in this case little ameliorated by circumstances, ran out into the usual misery of confusion and humiliation.

This is the fundamental criticism to be passed upon the Italian so-called colonization. Italy was not prepared to take her place among colonizing states; she lacked the internal cohesion and organization necessary to the political unit that turns its arms against the outside world. On the eve of her colonial efforts, the nation was united in no such way as were England, France, the Netherlands, Spain and Portugal just before their colonial expansion. Italy lacked capital and, in a certain sense, superfluous population for external colonization; what forces she had could better have been used for internal development, which, in turn, would have aided national organization and prosperity.

She lacked the objective knowledge of lands, peoples and processes which the great colonizing nations attained from the actual experience of their traders and navigators before their colonial empires were even begun. (She was unfit for colonization because she lacked those things which she hoped the possession of colonies would bring her.)

One more disqualification must be noticed in order to get a perspective of the short and disastrous history of Italian expansion: the Italians, together with the other Latin nations, suffer from a race-temperament unfortunate in colonizers. They are dominated too much by feeling and too little by judgment; they are attracted too much by abstract theory, military glory and all that which caters to national vanity; they cannot accept defeat with dignity, renounce a high-sounding ideal and bide their time in patience. They have shown themselves incapable of such steadiness and foresight as, for instance, was exhibited in the withdrawal, quiet preparation and final overwhelming advance of England in Egypt.¹ Italy's colonial development, retarded by so many wars, has not as yet reached that stage of civil administration where the characteristic defects of Latin policy are wont to appear; judging from the organization of the Red Sea possessions during a short period of peace and security, the Italians might have been expected to adopt a somewhat saner policy than did Spain, Portugal or France.

It is significant that poverty, rather than overflowing wealth, first caused United Italy to desire a colony. The individual emigrated because of poverty and misery; the state sought a penal colony because of poverty and social disorder. On March 13, 1865, the Chamber of Deputies abolished the capital penalty, and a substitute was at once considered. The example of England was cited in support of adopting deportation, and the position of those who favored this substitute was strengthened by the grave condition of public security in the sixties and seventies. Prison population grew by more than 1,500 annually, and increased from 52,000 in 1862 to 67,000 in 1870, averaging one hundred and four per 100,000 population. Prisons were

¹Cf. De Saussure, *La Colonisation française dans ses rapports avec les Sociétés Indigènes*, ch. xi, p. 208, etc.

insufficient in number and all in wretched state; it was estimated that 100,000,000 lire and twenty years time would be necessary to construct new edifices. Deportation seemed an anchor of safety.

A hot controversy was waged over the employment of this penalty, and for a long time desire for such a place of exile formed the chief motive for acquisition of external possessions. G. E. Cerruti, for the government, tried to get possession of locations in the Far East suitable for penal establishments; and other private or semi-official travelers reported on the same project. But in 1874 the enemies of deportation had increased in number, and conditions in Italy were ameliorated; discussions lasted on till 1888, when they were dropped.¹ The question of deportation was therefore a temporary one, not connected with later developments, except as it directed the attention of the Italians to conditions without; deportation was never popular.

Prospecting for a commercial or naval station, which to a certain extent accompanied the search for a penal colony, was even more feeble, vague and unproductive. Up to 1880 expansionists talked to the empty air. Even the opening of the Suez Canal (Nov. 1869) effected little, though through the urgency of Professor Sapeto, who insisted upon the necessity of a station on the new Indies route, the government half-heartedly acquiesced in the purchase of Assab, a sterile tract on the Red Sea coast.²

"The search for colonies, therefore," Brunialti says, "had conducted to no serious conclusion"; further efforts were made to arouse interest, but *nos canimus surdis*. After 1873 there was no more talk of colonies and even Assab fell into oblivion; in 1882 Italy refused an advantageous opportunity to cooperate

¹ Attilio Brunialti, *Le Colonie degli Italiani*, Torino, 1897, pp. 271 ff., 527 ff. This volume affords, besides a sketch, chiefly historical and political, of the colonies of modern Italy, also a history of the medieval Venetian and Genoese trading colonies and an account of the great Italian navigators of the period of discoveries. Brunialti treats the modern possessions from an authoritative position, inasmuch as he was personally involved in the discussions and projects which preceded and accompanied the late colonial policy.

² Through the agency of the Rubattino Steamship Company for 15,000 Maria Theresa dollars (about \$16,000), with some extra fees and payments to recalcitrant sheiks. Brunialti, I. c., 324; 532.

with England in reducing Egypt, explained her action to Europe with virtuous self-complacency and wished to have nothing to do with Africa.¹

Suddenly, in 1885, in consequence of the massacre of an Italian scientific party (that of Bianchi), the government at Rome roused itself and occupied the port of Massowah (Feb. 5). The effect upon the national mind was unexpected and astonishing, affording a marked illustration of the changefulness of a Latin people. Before the occupation, "the less enthusiastic were precisely those who had a more exact idea of colonial policy and its exigencies, who feared that public opinion would cast itself upon this acquisition, increase its importance and make an unique objective of what ought to be a small episode and nothing else." This fear was realized, for the country faced about from indifference to military ambition, parliamentary calculation and political delirium; there resulted "a whole artificial elaboration of public opinion, such as would scarcely be believed possible in a free and civilized modern state."²

These are the symptoms of "colonial fever," which was not slow to discover itself in pronounced form. Nor was the country, smitten with the passion for expansion, tardy in presenting reasons to justify the satisfaction of that passion. Were not the Romans the first of colonizers? Could the Italians acknowledge themselves degenerate sons of those hardy Venetians, Genoese and Pisans who were the mediæval lords of trade and of commercial factories? This pride of ancestry was united with what Laveleye and others call "megalomania," as the main motive forces in a disastrous expansion.³

Attention turned at once toward colonies in their relation to emigration, the merchant marine and national production. With the eye ever upon England and Holland, the endeavor was made to construct a Greater Italy. To these high ambitions, however, were joined the most absurd fears, an unsettled policy

¹ Brunialti, l. c., 323-6, 422 ff.

² Ibid., 15 ff; 433.

³ Laveleye, *The Foreign Policy of Italy*, Contemporary Rev. 61, 153, (1892); F. P. Nash, *Italy as a "Great Power,"* Nation, Aug. 19, 1897 (65; 146); (Gen.) C. Mezzacapo, *L'Eritrea e i suoi Confini*, Nuova Antologia, Dec. 1, 1897; G. Pittaluga, *L'Eritrea Giudicata in Francia*, Nuova Antologia, July 16, 1897.

and general weakness and indecision—qualities seldom exhibited in any degree by a people ripe for colonization.¹

Attention, it has been said, turned to emigration, the merchant marine and national production. As for the first of these, a brief study of Italian emigration suffices to show it an unstable foundation upon which to build a colonial edifice. During the early days of the colonial agitation, the Italian Consul at Nice, one of those whose opinion concerning the new policy was officially asked, opposed such a movement, saying that for colonization capital, heads and hands were needful, but that Italy possessed only the last of these requirements.² This concisely expresses the character of Italian emigration; only the poverty-stricken and the ignorant emigrated, and their exodus was a species of flight. It may be true that unprincipled agents worked upon the credulity of the overtaxed and underpaid *contadini* and often allured them to a fate even more wretched than that of remaining in Italy; but it is significant that whole villages were ready to emigrate, with their parish priest at the head, while acres of productive ground were falling into waste in the homeland. The emigration of Italian labor cannot be regarded as a natural and inevitable flow, due to purely natural conditions of population and land; private initiative counts for little; the emigrant would in most cases stay at home if, after paying his heavy dues, he had enough to eat.³

Not until 1884 was the Italian marine able to provide proper postal facilities for the settlements along the Red Sea; its condition, then, can be imagined, during those years when the government was vaguely seeking, even from Denmark in Greenland, and from Russia in Behring Straits, those colonies which should by some magic set commerce upon its feet. The Italians awakened to find their wooden sailing ships contending in a losing competition with modern vessels of iron, propelled by steam. Italy had at her disposal neither coal nor iron, neither mechanics nor engineers. To wait for trade to develop its carriers was too slow a process; the marine called for colonies, which would then

¹ Brumali, I. c., 228 ff.; 261-297. ² Ibid., 231, note; 289.

³ Ibid., 261 ff.; Laveleye, I. c.

call for a marine; and the government began to spend large sums in subventions and other aid.¹

The remaining reason for Italian expansion was economic; the growth of protection in Europe and America seriously threatened Italy's trade, and colonies were sought as outlets and markets. The government was also in the search for stations in the Far East, in order to profit by treaties concluded in the sixties, with China, Japan and Siam.² This was, perhaps, the most sensible of the reasons assigned for the development of the colonial policy.

At all events, Italy became in 1885 aware of the fact that she had lost Tunis to the French, after most favorable beginnings, had childishly refused England's offer, pregnant of possibility, of a dual campaign in Egypt, and had sacrificed numerous possible possessions in the Far East. She fixed her eyes on Tripoli and gave more attention to the flourishing natural colonies in the La Plata region of South America; though, sad to say, she allowed these districts to take an entirely secondary place in relation to the new acquisitions in eastern Africa.³

Real expansion, then, began with the occupation of Massowah. Assab had cost in all about two-thirds of a million lire, the territory extending thirty-six miles along the coast and having an area of about two hundred and forty square miles. But after Massowah had been occupied by force, the method of purchase lost all popularity; the way of conquest was more "essential to our position as a Great Power"—it was more theatrical.⁴ Little attention was paid to the safeguarding of an indispensable friendship with the Negus, or King of Kings, of Abyssinia. There followed in rapid succession the occupation by force of Habab and Beni-Amer (1887), Cheren and Asmara (1889), Cassala, Coatit and Senafé (1894) and Tigré (1895), until the Italian possessions comprised about 96,000 square miles, with 200,000 native and 3,500 European

¹ Brunialti, l. c., 283 ff; *The Merchant Marine of Italy*, Nation, Aug. 31, 1882 (35; 171).

Brunialti, l. c., 524.

² Ibid., ch. xi; pp. 298 ff; 422.

³ Ibid., 16; 409; 430.

inhabitants.¹ In 1889 a protectorate was assumed over the sultans of Obbia and Migertini; and by the treaty of Ucciali (May 2, 1889), the whole kingdom of Abyssinia came under Italian influence. A protectorate was officially recognized in Europe, and, to a certain extent, by the Negus;² later, however, the latter repudiated the article of the treaty upon which Italy based her claim to a protectorate, asserting misrepresentation and fraud. Under such strains, and because the Abyssinians were incensed at the occupation of their ancient capital, Adowa, in the holy country of Tigré, war speedily broke out; and, on March 1, 1896, Italian expansion was brought to a sudden close in the battle of Abba Garima, where 12,000 Italians rashly attacked the Abyssinian army of 80,000 and were almost annihilated.³

In the treaty that followed, the protectorate over Abyssinia was given up, Cassala was ceded to Egypt, the Abyssinian territory which had been occupied was evacuated, and Italy paid a heavy indemnity for the maintenance and return of prisoners. This decisive check may be considered as bringing the ten years' period of Italian expansion to a close, for since 1896 no further move toward aggrandizement in Africa has been attempted.

From the military and political standpoints, therefore, Italian expansion was a failure. Results also failed to meet the expecta-

¹ Brinialti, l. c., 466; *Appleton's Annual Cyc.* (1895), sub. "Abyssinia."

² This made the total area under Italian influence about 550,000 square miles, with more than 6,000,000 inhabitants, cf. *Statesman's Year Book*, 1891, *Appleton's Cyc.* 1895, as above.

³ This battle and other reverses were due largely to the ambition of the Crispi and preceding ministries, which needed victories to hold their place; it was also due to gross geographical and ethnographical ignorance and insufficient preparation. Brinialti says the Italian statesmen had "a sacred horror of geography," and that one of the most responsible could not "read a geographical chart in the proper manner." Upon Crispi, however, falls the heaviest weight of indignation and contempt—he called the war "my war," and, according to Brinialti, his chief reason for desiring it was that his "personal necessities . . . impelled him to hide too many things, and himself as well, behind a series of victories." The war was very unpopular in its later stages, protests came in from the women of Pavia and other cities, troops were embarked in secret, "in the dead of night, through a window or down an exterior stair," and "despatched hurriedly by goods trains to Naples for embarkation." Brinialti, l. c., 435, 497, 506 ff., *The Italian Awakening*, by "Ouida," in *Fortnightly Rev.*, 65, 541 (1896).

tions of those who were looking for a more profitable regulation of emigration, a development of commerce and of the marine, and a notable spread of civilization. Here one must do justice to the small minority of clear-headed statesmen who constantly opposed the current of popular folly, or with it were unwillingly and resistingly borne along. It was in vain that they reiterated objections against the popular projects—objections since proved only too valid.

In fact, as was at the time pointed out, only those parts of Africa were allotted to Italy which fall to the weak late-comer; while England, the generous giver, drew considerable advantages from occupation by a friendly nation. These possessions, which from Crispi received the pompous collective name of Eritrea, were entirely unsuitable for agricultural or plantation colonies. The soil is, in general, arid, sandy and unproductive; rain is infrequent; even drinking-water is extremely scarce and brackish. The climate, especially near the coast, is almost insupportable for Europeans; the Italian army was forced by the heat to take refuge upon the interior plateaus. The sharp contrast of temperature between night and day affects cattle disastrously. The flora is meager, consisting mostly of acacias and the like, and the better parts of the country are infested by destructive and dangerous wild beasts.¹ Yet even these unalluring prospects were less discouraging than the ethnic environment. The Italians found themselves face to face with the only strong and organized African state—a state whose warlike population prided itself upon its independence and its successes against invaders. The Italians, however, looked upon the Abyssinian army as a “horde,” an easy prey for five hundred Italians with a little artillery;—they found it armed with rapid-fire guns and drilled by French tacticians.²

In such a state of affairs, the security necessary for the development of permanent agricultural settlements was never attained.

¹ Adolfo Rossi, *La Incerta Politica Africana*, Nuova Antologia, Nov. 16, 1897; F. E. Edwards, *The Italians in Africa*, Westminster Rev. 148, 477; Luigi Capucci, *La Politica Italiana in Africa*, Nuova Antologia, Aug. 1, 1897.

² Brunialti, l. c., 449; Alfredo Frassati, *Il Pericolo Abissino e Inghilterra, Francia ed Italia*, Nuova Antologia, April 1, 1899.

All experiments resulted in dismal failure; emigration could not be attracted from America. Under the best conditions of peace, with gratuitous concessions of land, subsidies in money, intelligent direction and disinterested counsels from men who knew the Italian peasants well, all attempts to settle them in Eritrea came to naught. Harvests failed to meet expectations and life in Africa could develop no alluring features; the *contadini* could exist there, as in Italy, and no better. There was no prospect of making one's fortune, that chance which prompts one to choose a dangerous possibility in place of a tame certainty, and which has regularly led Italians to brave the unknown in America. "Therefore the colonization of Eritrea was ever an official project, a work of beneficence, and as such could yield no serious and important result, even though fortune of arms had been quite different." The case was worse than a negative one; destitute emigrants were sent out, on the verge of the great disasters, to "do homage to the ideas of the government regarding the future of the Eritrean colony, to make believe that Africa, through so many years ignored and feared, had become all at once the land of Bengodi."¹

But if a producing colony, receptive of a large and successful emigration, was impossible, there still remained the alternative of developing a trading settlement. Even if this aided emigration little, it would yet assist the home-country's commerce and marine. It was claimed by the sponsors of Eritrean expansion that Assab, and to a greater extent Massowah and Cassala, were the keys to the trade of the eastern Soudan, Abyssinia and Central Africa; it was expected that caravans would make an easier passage to these stations than to others, and it was proposed to afford facilities in the shape of roads, magazines, etc., and to remove hindering trade-restrictions.² To a certain degree this more modest purpose succeeded, though, of course, trade never attained the proportions expected. Assab and Massowah are good harbors, protected from the prevailing monsoons; the commerce of Assab rose from nil in 1880 to some five hundred and twenty-five each of arrivals and clearances in 1883; as for Massowah, the value of its imports fell from

¹ Brunialti, I. c., 472; Adolfo Rossi, I. c. ² Brunialti, 409 ff., 416; 430 ff.

1887 to 1893, then to rise with some rapidity. The figure for 1896 is the largest, showing an increase of more than 100 per cent. over 1895.¹ Some valuable roads were opened, and a salt industry, founded at Assab, was very important as looking toward trade with the interior. Had peace prevailed and security been permanently maintained, it seems likely that Italy would have gotten a modest share in the interior trade. But capital refused to emigrate; in 1887, Massowah had not a single merchant house. Many were afraid of finding in Massowah a "new Tonkin"; it had "all the disadvantages and none of the advantages of a territorial colony."² It is evident that Italians at the present time cherish no enthusiasm for the Eritrean trade, and that the powerful neighbors of Eritrea fear and envy its commerce but little. The development of the marine and of home production would seem not to have been greatly stimulated as a result of the African colonial career.³

The brighter pages of the history of Eritrea are those which deal with the organization and incipient administration of the colony, especially under General Oreste Baratieri. The Italians were a bit theoretical withal, but set out to avoid "Spanish formalism, Dutch egoism, French concentration, and the too diverse conditions of English colonization." They regarded the first need of a country barely out of savagery as that of a simple justice, with rapid and economic procedure, without distinction of legal qualification and backed up by a prompt and vigorous execution. They intended to respect religion, family relations, etc., where not irreconcilable with *morale universale*, and to maintain a full and severe custody of public order. They hoped to become *non dominatori, non tutori, non innovatori, ma amici ed aiutatori*, guiding new fellow-citizens toward a betterment that was

¹ Brunialti, l. c., 414 ff; *Statesman's Year Book*, 1890 and following years; *Almanach de Gotha*, 1889 and following.

² Brunialti, l. c., 446-8; Adolfo Rossi, l. c.

³ From 1884 to 1896 the total tonnage of Italian seagoing vessels slowly declined; but during the same period the tonnage of Italian steamships rose from 107,542 to 220,508. Something over one-half of the vessels entering and clearing from Massowah were under the Italian flag. Entries to Italian ports increased slowly during the period. *Statesman's Year Book*, 1885-96; *Almanach de Gotha*, same years.

comprehended and desired. Certain high-sounding phrases about making the Italian name a synonym for honesty and loyalty, concerning Italian sympathy with others' patriotism, etc., were declaimed; but they were mere words, most clearly set at naught in the dealings with the Negus. For "the Italian government always proceeded towards Abyssinia as toward a people ignorant and barbarous, whom they thought it not only allowable, but easy to deceive."¹

Before 1892 the colonial government was rather chaotic; a municipal and military tax imposed in 1888 by Baldissera, the military governor, was stoutly resisted. The military was replaced by a civil government in 1890, troops were withdrawn and an attempt was made to organize commerce and profitable cultivation. The condition of the colony was far from satisfactory, however, and in 1891 the Minister Di Rudini initiated the non-extension policy and sent a commission to examine matters in Eritrea. On February 8, 1892, General Baratieri was appointed civil governor of the province.

The condition of the colony changed at once for the better. Baratieri was well fitted for the office conferred upon him, being familiar with the region and well versed in the duties required. He appointed picked men as the leaders of native troops, established friendly relations with the Negus Menelik and all the chiefs who proffered friendship, and he incited Italian residents to a sharp watch over all "protected" territories. He established within a short time stations of *carabinieri* with natives under them, dispelled all fear of raids, set about making roads, and, the opportunity presenting itself, dealt the slave trade a crushing blow. "The colony was divided into the district of Massowah, where the administration, judicial, social and political, is carried on as in Italy, and into dependent territories, where the native laws and uses are respected and applied as far as possible; tribunals of arbitration were set up at Cheren and Asmara, judges of the peace in the villages, and everywhere residential officials bound to keep the governor 'up to date' on all military and local matters." The roads were made chiefly by native labor, and artesian wells were driven and light-houses

¹ Brunialti, I. c., 409-12; 448.

erected by the same means. Hygiene was attended to; water was analyzed and food inspected. Cisterns were built to preserve the scanty rains and in house-building stone succeeded straw. Schools were established for girls and boys, teaching Italian, Arabic, arithmetic, hygiene and gymnastics. The division of lands was commenced, defining tribal and ecclesiastical property, and marking out such parts as the state could take possession of and distribute to the natives and to Italian emigrants. The entire military department was re-organized; Baratieri insisted that if Italy were to succeed in Africa, it must be with native troops under Italian officers. The Governor did not stay in Massowah; he lived with his soldiers; he had a strong influence over the natives, and suffered no defections of the indigenous forces in battle.¹

The right man in the right place, evidently; in November, 1892, the Crown expressed itself as well pleased that the colony had been entirely pacified and was ceasing to be a drain on the finances of the mother-country. Baratieri had aided agriculture and commerce and systematized the public service; it was hoped that the time was not far off when the costs of civil management in the colony would be paid with its own products. The influence of the Italians was extending peacefully and the neighboring tribes were attracted to them by gifts, by the surety of order and peace, and of impartial and prompt justice. Brunialti calls this a modest, but true success, without exaggeration, uncertainty or weakness.²

A special budget was instituted for the colony and attached to that of Foreign Affairs. On December 8, 1892, the powers exercised by the Minister of the Marine over civil services in Eritrea were withdrawn and the corresponding funds inscribed in the colonial budget. Gradually there were added to this budget other expenses formerly charged under the heads of finance, treasury, posts and telegraph, public works, etc. In consequence, an expenditure of 8,000,000 lire was recognized as necessary for all the services for which provision had at first

¹ Brunialti, l. c., 464 ff; 473 ff; *Italy in Africa*, Nation, March 7, 1895 (60; 179).

² Brunialti, l. c., 474; 480.

been made fragmentarily, and which finally were to come under the oversight and responsibility of the governor. A distinction was made between civil and military expenses, by which ministerial control and responsibility to Parliament were made less difficult. Attention was directed to tax and customs reforms, security and justice were more firmly established and public instruction made an advance, for the advantage of both Italians and natives.

The Massowah Chamber of Commerce heartily coöperated, suggesting plans for the development of local trade and industry for the benefit of Italy. More roads, commercial as well as strategic, were laid out; a bank of credit was founded at Massowah; construction of markets, magazines and better facilities for ships were regarded as paramount objects. The abolition of customs dues; more frequent postal and caravan communication between Italy and Massowah, Massowah and the principal centers of Abyssinia; the protection of interests, which was always efficacious;—all these advantages worked toward civilization and success. The population seemed to have perfect faith in the government and a beginning of agriculture was made, even among the native nomads. The suggestions of the governor to the Ministry show a clear comprehension of the situation and its needs. Among other desiderata he wished the lands to be studied so that the most successful methods of working them might be developed; he also wished lands, assigned by choice or lot to Italians, individual or in common, to be guaranteed against the evils of speculation. Anticipations of money without interest, a regulated water supply, paternal care of Italian settlers, including religious and medical attention—these were among the suggestions of the governor and many of them were promptly adopted.

By 1894 the Eritrean administration was autonomous and the management of its finances independent. The Imperial government was represented only by the civil governor and three counsellors, all royalty appointed. Military and naval commanders were, of course, under direction from the Italian Ministry.¹

¹ Brunialti, I. c., 472 ff.; 480-4; *Statesman's Year Book*, 1894, etc.

Considering the ground she had to work on, Italy had certainly made a creditable showing. But it must not be imagined that this liberal administration cost nothing; deficits appear annually in the colonial budget and the lower ones of prosperous years are unable to keep down a very high average when the whole period of colonial possession is considered. There have been repeated struggles to reduce the yearly expenses of the colony to 9,000,000 or 8,000,000 lire: no such scheme seems to have succeeded. The deficit has averaged considerably more than this figure: during the whole period of colonial expansion up to 1896, losses are estimated by Brunialti as 10,000 men and 500,000,000 lire.¹ For a country whose debt was in the thousand millions, who, out of every hundred lire expended, paid thirty-three lire interest on debt and thirty-three lire for the maintenance of army and navy, this colonial policy was certainly what one of its opponents called it, *une politique de luxe*.² For a rich nation to expend great sums in the work of civilization or extermination may be wastefulness; for a poverty-stricken, debt-burdened nation, full of internal strife and uproar, it is almost suicide. If the disaster inflicted by Menelik has taught this lesson, perhaps the experience was not too dearly bought.

"Megalomania," however, is not yet cured; the incident of San Mun Bay, where Italy thought of taking another useless burden upon her shoulders, in order to prove herself a Great Power, is almost a happening of the present.³ In this case, how-

¹ I. c., 519; it is elsewhere stated that about 125,000,000 lire were spent in the military operations of 1895-6. The budget for 1895-6 is given as: Receipts: from colonies, 1,700,000; from state, 10,000,000. Expenses: colonial troops, 9,351,000; other expenses, 2,349,000 lire. It is difficult to get exact information on these particulars, but the above figures show general conditions. Even with elimination of the heavy military expense, the colony is far from paying its own way. See *Statesman's Year Book* and *Almanach de Gotha*, 1897, etc.; *Appleton's Annual Cyc.*, 1898.

² *The Financial Condition of Italy*, Nation, Oct. 1, 1891 (53: 255); *Italy of To-day*, by "An Observer," Fortnightly Rev. 61, 225 (1894); *The Italian Awakening*, by "Ouida," Fortnightly Rev. 65, 541 (1896); F. H. Geffcken, *Economic Condition of Italy*, Contemporary Rev. 58, 609 (1890); Adolfo Rossi, I. c.

³ See C. Lombroso, *L'Italia in China*, Nuova Antologia, March 16, 1899, as well as various other articles and editorial comment in the earlier issues of 1899.

ever, right counsels prevailed, and perhaps the fever has abated. As for Eritrea, little enthusiasm is expressed regarding it; since the shock of 1896 the colony has come under discussion from time to time, and if it is not restricted to narrower boundaries or quite abandoned, it is largely because of national pride. In 1897 an attempt was made to take up again the organization of the colony, the stimulation of industry, etc., but the colony has never fully recovered; it is accepted as an inevitable burden which some would gladly exchange for a share in the nearer and more congenial Tripoli.¹ Whether the colony is in the future even to pay for itself, remains to be seen; it is hoped rather than expected.

If Italy were intent upon the essence of colonization rather than the name, her field of action would not be far to seek; she has a series of natural colonies in America, surrounding the lower course of La Plata River, which evince a vigor of growth and a prosperity that ought to have been the pride of the mother country while she was squandering resources on the sand-dunes of the Red Sea coast. The essence of the mutual sympathy of two countries lies, not in political union, but in those racial affiliations of blood, language, religion, customs and manners, the mutual possession of which renders intercourse between groups of men easy and enjoyable.¹ After the Revolution, the American Republic turned, not to France, but to England with her favors of trade and intercourse. So the La Plata colonies, with no serious encouragement, and with memories not the most pleasant of the native land and its extortions, have nevertheless benefited Italy commercially to an infinitely higher degree than did Eritrea at its best. As an illustration of the normal growth of national offspring, the development of these perhaps happily neglected settlements deserves a paragraph of comparison with the above described "colony for a purpose."

First and most important, the Italians have succeeded there, and that without aid, as nowhere else in the world. They were

¹ *Rassegna Polonica in Nuova Antologia* during 1897; little interest in Eritrea has been exhibited since that year, Brunialti, l. c., 516 ff; Traversi, *L'Etiopia d'oggi e l'Eritrea*, *Nuova Antologia*, May 16, 1897, (Gen.) Domenico Primerano, *Che cosa fare dell'Eritrea?* *Nuova Antologia*, Oct. 16, 1897; Adolfo Rossi, l. c. Luigi Capucci, l. c.

the first to own inns, cafés, boats, etc., and have kept industrially in advance of a people inferior to themselves in culture. Italians founded and operate the banks, and in Buenos Ayres they own 62 per cent. of the businesses. The Italian language is spreading and Spanish is spoken only in public administration; probably one-fourth (4,000,000) of the population of Argentina have Italian blood in their veins. The current of emigration to these regions is growing ever stronger and in its wake are following advantages to Italian trade and industry; in 1889 the importation from Italy to the Argentine Republic represented 5 per cent. of the total; in 1894, 9 per cent. In late years of crisis (1889-94) Italian trade suffered less than that of any other nation. And it is seen that the Italian emigrants do not lose their native good qualities in the new country, but transmit them, along with Italian ideas and tastes, to a people who need them and are able and often willing to profit by them.¹

It is toward this La Plata region that some of Italy's more responsible advisers have long been attempting to direct her attention, not with a view to the extension of imperial power—for sufficient barriers exist, fortunately for the colonies, to restrain any such interference—but in the hope of developing, without expense or bloodshed, close commercial and industrial relations and a national sympathy which may some day assist in assuring existence to that which is Italian. The Italians, like other Latin peoples, feel a sense of weakness before the tremendous energy and expansion of the Anglo-Saxon race. To the end of establishing these desired relations, a more strict supervision of emigration and a more developed consular service are advocated; the ideal is that the South American colonies shall stand to Italy as the United States to England. At present, and neglecting the crying necessity of the internal reorganization of Italy, this idea seems by far the most practical and realizable of Italian colonial projects.

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¹ Brunialti, I. c., ch. x.

THE SUGAR SITUATION IN THE BRITISH WEST INDIES.

FOR fully two hundred years the British West Indies have played a prominent if not the principal role in the development of the sugar industry of the world. At the present time these possessions yield about a twelfth of the cane-sugar available for the world-market. But the United Kingdom has for some time ceased to be the main customer for this principal product of her colonies. Only about 27 per cent. now goes to the mother country; the rest has to be disposed of on the American side of the Atlantic, because the beet-sugar countries have the open markets of western Europe substantially under their own control. The South and Central American countries are practically in a position to produce more than they need for domestic consumption, and the North American countries, hitherto the best markets for the sugar products of the British West Indies, are tending to become more and more self-sufficing. Mexico has exported sugar for the last four years at least; the United States is developing a beet-sugar industry with an astonishing degree of energy; and even Canada's beet-sugar yield is beginning to figure in the annual statements of the world's production.

By this time the reading public has become aware of the fact that the British West Indies are economically in a critical position. The key to this situation lies in the condition of the sugar industry. "Dealing broadly with the whole question," says the West India Royal Commission in its report on the subject, "we may say at once that looking to the low prices now prevailing and to the probabilities as to the future of prices . . . the sugar-cane industry of the West Indies is threatened with such reduction in the immediate future as may not in some of the colonies differ very greatly from extinction, and must seriously affect all of them, with the single exception of Grenada, which no longer produces sugar for export. If such reduction or extinction of the industry occurs, and if its place cannot be adequately filled by the substitution of other industries, the consequences are likely to be of a

very serious character."¹ Whatever these consequences may be, the fact is that these colonies have been forced into a position of commercial isolation by dependence upon a single industry in which they are no longer able to compete with the rest of the world. Such is the general condition which the British West Indies are facing to-day.

That the present crisis is acute no one acquainted with the facts will deny. The question at issue is one of policy for the future. Is the sugar industry of these colonies worth trying to save, or is it doomed to disappear at the hands of its continental rival—the beet-sugar industry? If its doom is sealed, whether by business superiority of its rival or by export bounties, then what alternative policy is it wisest to follow in order to save these colonies from erasure from the economic map of the empire? For, orphaned from the mother country and isolated from the American markets, their future, until very recently, seemed pitifully wanting in promise.

The more important economic factors involved are summarized in the following table of landed and labor interests of the twelve islands or colonies, which shows the proportionate importance of the land and labor employed in the production of sugar, and gives the total of capital invested in sugar-producing properties, in most cases as late as 1896.

Colonies.	Cultivated area.	Acres in canes.	Number of estates.	Capital invested.	Population directly involved.
Jamaica	693,673	30,036	140	\$5,835,000	39,046=6%
British Guiana....	353,000	66,908	64	50,000,000	90,492=33%
Barbados	90,000	74,000	440	10,000,000	47,045=25%
Trinidad.....	300,000	33,805	39	12,500,000	50,000=25%
Tobago.....	10,000	2,000	38	.....	5,000=27%
Windward Islands.	67,000 ²	5,018	147	.....	40,000
Leeward Islands ..	52,299 ³	43,856	240	2,800,000 ⁴	35,682=46%

¹ *Report of the West India Royal Commission*, p. 3 (1897). The greater part of the statistical data used in this article has been obtained from an analysis of this excellent document. See also Sir David Barbour's more recently published *Report on Finances of Jamaica*, and the Parliamentary Blue Book of *Correspondence on Resources of Jamaica*, London, 1899.

² Not including St. Lucia.

³ Not including Antiqua.

⁴ Not including St. Kitts-Nevis.

The four most important aspects of this question are the commercial, the agricultural, the industrial, and the political. In the last quarter of a century the industrial feature of sugar production has become the determining one. This has given a new aspect to the political issues involved. From these standpoints we shall proceed to analyze the conditions of sugar production in this portion of the tropics.

An almost exclusive devotion of economic resources to sugar production, unaccompanied by any marked progress in manufacturing economies, was profitable enough until about fifteen or twenty years ago. It was the old theory that each country could excel in that kind of enterprise in which natural resources gave it the advantage over its rivals. But, as mechanical improvements and the development of by-products gradually overcame this advantage, the tropical sugar industry, in which such improvements were not made, has suddenly found itself almost wholly at the mercy of trade regulations of the outside world. And worst of all, this single-minded policy gradually renders a country or an industry impotent to readjust itself to a new order of affairs.

This is particularly the case with the British West Indies. It is a peculiarity of tropical enterprise that it tends to run to a single and a simple form of industry as long as possible. In temperate latitudes economic prosperity depends upon internal improvement of industrial efficiency. The result is that the lines between the end of one industrial régime and the beginning of another can be more clearly marked in the tropics than in temperate countries. It is this that makes this group of a dozen British colonies so highly instructive to the student of economic changes in modern industry. Like the cotton States of the South, so with the sugar islands in question: a single line of products and their cognate by-products have held the field so long and so exclusively as to render the labor forces and the managing ability practically incapable of adapting themselves to anything else for a generation to come. The production of sugar, rum, molasses, and spirits, it is officially reported, attained such dimensions as to dwarf, and, at one time, to almost extinguish, every competing industry.

This persistent character of tropical enterprise to resist adaptation to changes is well illustrated by the fact that though the prices of nearly all grades of sugar have fallen 50 per cent. since 1882, the volume of sugar exported from the British West Indian colonies has shown very slight tendency to decrease.

PRICES AND TONS EXPORTED, 1882-1895.¹

Year.	Price per cwt. (Shillings)	Tons Exported.	Year.	Price per cwt. (Shillings)	Tons Exported.
1882.....	21.09	315,138	1889.....	16.00	289,383
1883.....	20.19	296,697	1890.....	13.33	298,760
1884.....	16.41	329,872	1891.....	13.28	264,141
1885.....	14.56	283,854	1892.....	13.18	279,087
1886.....	13.85	256,919	1893.....	14.20	273,572
1887.....	12.53	336,017	1894.....	12.22	260,211
1888.....	13.84	299,088	1895.....	10.09	236,770

Since 1895 the same tendency has prevailed. Though the proportion which these colonies contribute to the 3,000,000 tons of the total supply of cane-growing countries is yearly diminishing, the total production as shown by the export figures for the last four years has gained rather than lost. The following figures (in long tons) are from Willett and Gray's *Statistical Sugar Trade Journal*²—a recognized authority on the subject.

CANE-SUGAR CROPS, BRITISH WEST INDIES.

Colonies.	1898-99	1897-98	1896-97	1895-96
Trinidad (exports).....	50,000	53,000	53,000	58,000
Barbados (exports)	45,000	47,835	52,178	47,800
Jamaica	27,000	30,000	30,000	30,000
Antigua and St. Kitts....	22,000	25,000	29,000	24,000
Other Lesser Antilles....	8,000	8,000	8,000	8,000
British Guiana (exports). .	105,000	106,070	99,789	105,000
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total.....	257,000	279,905	271,967	272,800

The importance of the sugar crop to West Indian interests is not to be measured by the ratio of its yield to the world's commercial supply. A comparison of the sugar exports with non-sugar exports shows this industry in its real significance to these colonies. The relative values are given for the year 1896.

¹ *West India Royal Commission*, pp. 4, 170. The prices are London prices for unrefined sugar.

² New York, Vol. 23, No. 1, p. 3, Jan. 3, 1899.

RELATIVE VALUE OF EXPORTS, 1896.¹

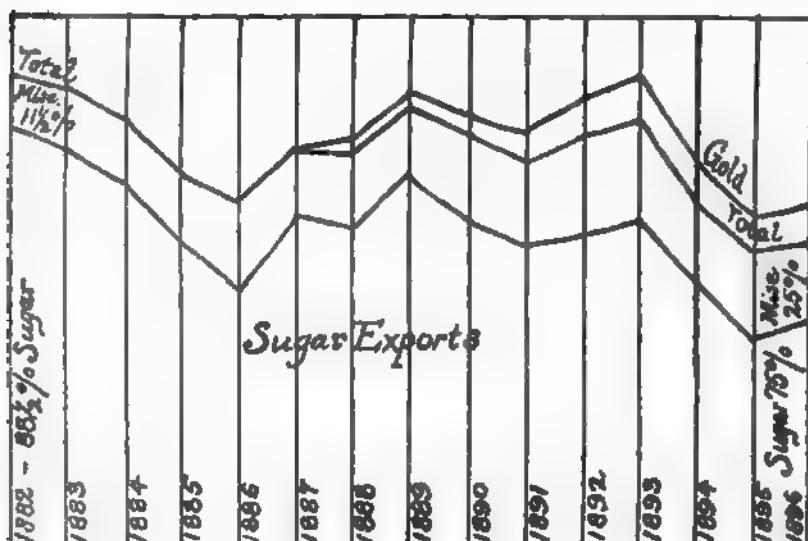
	Total Exports.	Exports of Sugar Products.	Percentage Sugar.
Jamaica	\$8,500,000	\$1,500,000	18
British Guiana.....	9,070,000	6,400,000	70½
(British Guiana excluding gold) ..	(6,765,000)	(6,400,000)	(94½)
Trinidad.....	6,815,000	3,865,000	57
Tobago.....	100,000	35,000	35
Barbados.....	2,885,000	2,790,000	97
Grenada.....	910,000	Nil	—
St. Lucia.....	425,000	315,000	74
St. Vincent.....	285,000	120,000	42
Antigua.....	635,000	595,000	94½
St. Kitts-Nevis	545,000	105,000	96½
Dominica	240,000	35,000	15
Montserrat	120,000	75,000	62
<hr/>	<hr/>	<hr/>	<hr/>
Total	\$30,530,000	\$16,255,000	53
Total, excluding Jamaica and gold from British Guiana	\$19,725,000	\$14,555,000	75

The commercial importance of the sugar industry may be further indicated by the relative volume of its exports as compared with miscellaneous exports from the British West Indies for a series of years. In 1882, the sugar exports comprised 88.5 per cent. of the total exports, and the miscellaneous or non-sugar products only five-tenths of one per cent. Since that date the decline in the value of sugar products has slowly promoted the development of other industries in some of these islands. Trinidad, for example, now exports half sugar and half non-sugar products. Grenada, more successful than any other, has wholly abandoned sugar cultivation, except for home consumption. The place of sugar has been taken by cocoa, thus going from total abandonment of one industry to complete dependence upon another. In 1896, the ratio of sugar to non-sugar products in export valuation was 53 to 47 per cent., showing a considerable tendency to the substitution of variety in the forms of industry. Nevertheless, it is still true that any continuous improvement in the price of sugar stimulates recovery toward the former ratio with a surprising degree of readiness. The following graphic presentation shows how little sugar has lost in economic importance since 1886. It gives the volume of

¹ Report W. I. R. Com., p. 3.

West India exports, excluding those of Jamaica, which are about one-fifth sugar, and the gold of British Guiana. The diagram fairly represents the volume of the sugar interest in the total of export values during a series of years. It leaves no room for doubt that the paramount industry of the British West Indies is still the production of sugar, even though the prices of all sorts of sugar have fallen to just half of what they were at the beginning of the period from 1882 to 1896.

RELATIVE VALUE OF SUGAR AND NON-SUGAR EXPORTS,¹ BRITISH WEST INDIES, 1882-1896.



The foundation of the tropical sugar industry has to be sought in the system of cane culture. Three systems are now in force in the British West Indies. The oldest of these carries on sugar-making on large estates, employing a large number of laborers. With the abolition of slavery the second system received its more important development. This system is that of small proprietors, and is most fully developed in Jamaica, where one in every ten persons is said to be an owner of land.² Out of 52,608 holdings in the island in 1882, 43,707 were under ten acres each. On the small hold-

¹ Adapted from Beeton's *Foreign Sugar Bounties*, p. 158. London, 1898.

² Report W. I. R. Commission, App. A, Sec. 432.

ings only raw sugar is made, while the large estates make crystallized sugar directly for consumption, by highly technical processes. The third system of culture is the *metayer* system, still in force in the smaller islands of Tobago and Montserrat, "The owner of the estates supplying the land on which the canes are grown, carts, stock, and the works and machinery necessary for making the sugar, while the *metayer* supplies the labor and conducts the agricultural operations of growing and carting the canes. The sugar made is divided into halves, one for the *metayer* and one for the estate owner. This system is regulated by an ordinance of the colony" (Tobago).¹

The condition of the sugar industry in these three systems of cultivation is significantly different. Where the *metayer* system prevails the industry is rapidly perishing. The number of estates is decreasing and the fortunes of the community are declining. In spite of favorable conditions of labor and land there is no room for competent business management. Small mills are the rule in manufacturing sugar, and the loss of available sugar is great. The abolition of the *metayer* system with its practice of paying wages in kind and at long intervals, and the adoption of less wasteful methods of manufacture, can alone suffice to save the industry from extinction.

Next in point of importance is the large estate. In its older form as a somewhat self-sufficing community, it rested on slavery as its foundation. With the abolition first of the slave trade, and then of the institution of slavery, these estates were greatly diminished. In British Guiana² the number fell from two hundred and thirty in 1829 to one hundred and eighty in 1849. Cotton and coffee culture were almost extinguished. The effect of the abolition of slavery on the sugar industry was, therefore, to concentrate capital and labor upon the most conveniently cultivated land and the least objectionable form of labor. Thus sugar production became the sole industry, almost without exception, for a period of fifty years (1834-1885). This is the case to-day in British Guiana—if we except gold-mining—in St. Vincent, Barbados, Antigua and St. Kitts, but diminishingly so in all the other British West Indies. The fifteen years of declin-

¹ *Ibid.*, App. A., Sec. 180.

² *Ibid.*, App. A., Sec. 19.

ing prices since 1885 have gone far to introduce new crops into the agricultural industries especially in Jamaica, where sugar has fallen from 77 per cent. to 20 per cent. of the total exports.¹ To the large estates we owe the more enlightened efforts to maintain the sugar industry as well as the effort to forestall the harmful consequences of the collapse of this industry by diversifying agricultural activities.

Yet it cannot be said that the large estate is destined to be the prevailing form of cultivation. As at present constituted it is uneconomical and often a hindrance to development. The sugar industry under its control elsewhere literally cumbers the ground, because it holds the land back from being devoted to other forms of cultivation. Of 42,000 acres in St. Vincent, only 8,000 are occupied beneficially. Of the total area in sugar estates in this island not more than 12 per cent. is actually under canes. In Tobago only 20 per cent. of the area classed as cultivated is actually thus utilized. Even in Trinidad, where sugar production is the dominant industry, not more than half of the area included in sugar estates is actually in canes.² None the less, the large sugar estates now hold the key to the sugar situation in the British West Indies. At the present level of prices there are two alternative courses before them. The smaller estates, for want of sufficient capital to introduce the necessary mechanical improvements, must either be abandoned, or must be consolidated with other estates in groups large enough to command the advantages of a central factory with all requisite economies in production. There is no sane hope for the small estate which persistently indulges in the luxury of its own sugar mill, except for the very limited quantity of raw sugar required for local consumption, or to be sold as a by-product of the farm to the central factory. Its machinery is a thing of the past—or rather a thing for the industrial museum of the present. Its hope of remaining in the sugar industry rests upon its adjustment with some central system of manufacturing. Otherwise it is stated that even in Jamaica, where the larger estates are admirably equipped, fully 50 per cent. of the smaller estates will be abandoned within a few years at current prices for sugar.

¹ *Ibid.*, App. A., Sec. 400.

² *Ibid.*, p. 100.

For the larger estates the situation is somewhat different. Trinidad, it is said, has taken advantage of the most modern improvements in boilers, furnaces, multiple evaporators, crushing mills and other machinery, and most of the estates are now fully equipped for producing the best qualities of sugar at the cheapest possible rates.¹ Of the thirty-nine estates, only seven make common muscovado sugar, averaging about 2,000 tons each; six made centrifugal sugar (raw), averaging 5,500 each; and the other twenty-six make vacuum pan sugar. Twenty years ago just about the same amount of sugar was made from ninety different estates. This tendency works well where the estates are large enough and where an adequate supply of indentured labor can be secured. But in Jamaica, where there are a great many small proprietors, the situation is quite different. Next to Grenada, Jamaica shows least signs of suffering from a collapse of the sugar industry. Diversified industries, a typically prosperous peasantry and the presence of a progressive spirit in the management of the large estates—these put this colony in the front rank of tropical enterprise. "There are 70,000 holdings of less than five acres each."² These small proprietors profit by the methods of the large estates and the experiments of the Botanical Station.

There are no less than 6,000 small mills in this island alone. The peasant proprietor grinds his own canes. To him economic independence is a status he is loth to give up. Yet it is a most expensive thing to maintain. He gets little more than 50 per cent. of the available sugar-juice from the cane and about 50 per cent. of the available raw sugar from the juice. As a cultivator of canes he excels the large estates which depend on coolie labor; but as a manufacturer of sugar he is far less successful than the large estate which, with its improved machinery, gets from 50 to 95 per cent. of the available sugar from the product of the fields.

These few facts suggest the main outlines of the existing situation in the older sugar lands of the British American tropics. It is evident that a new division of labor lies at the basis of a more economical development of these sugar properties. If this

¹ *Ibid.*, App. A, Sec. 134.

² *Ibid.*, p. 61.

is successfully incorporated into the reorganized cane industry without undue delay, there seems to be little doubt but that the cane-sugar can sustain itself against the beet-sugar industry. Of course there are many sections now nominally devoted to cane-growing which will not figure in the reconstructed industry; but there are other districts not now under cultivation, which the introduction of improved manufacturing appliances, cultivating arrangements and transport economies will bring into use. The whole industry is really in process of transition out of an agricultural into the rank of a manufacturing industry on a large scale. It is to such fundamental economies that we must look for improvement in the present embarrassed condition of tropical sugar production; these savings supplemented by the superior cultivation of "cane-farming," as an expert but different branch of the business, will go far to tip the scale in favor of cane-sugar in the markets of the West.

The progress of these productive economies depends directly upon the two systems of labor and land tenure—the coolie system of indentured labor brought from the East Indies, to labor on the larger estates, and the system of peasant proprietors or tenure by natives of negro blood. In the present crisis there is no prospect of the existing area of cultivation being maintained. As sugar lands fall out of cultivation they can either be sold in small lots to natives or rented at low rates to small cultivators. Though the existence of a class of small proprietors among the population is a source of both economic and political strength, their settlement on the land has not been viewed with favor in the past by those persons interested in sugar estates. "What suited them best," says the West India Royal Commission in its reports, "was a large supply of laborers, entirely dependent on being able to work on the estates, and, consequently, subject to their control and willing to work at low rates of wages. But it seems to us that no reform affords so good a prospect for the permanent welfare in the future of the West Indies as the settlement of the laboring population on the land as small peasant proprietors; and in many places this is the only means by which the population can in future be supported" (p. 17).

These two systems of labor—coolie indenture and cane-farming by small cultivators—have to be relied on to cultivate a supply of canes for the sugar-mills. The fall of sugar prices has affected the small mills most unfavorably. On the other hand, the disinclination on the part of the public authorities to sanction any considerable increase in coolie recruits, limits the customary supply of labor for the large estates. This is due to the tendency of the proprietors of the large sugar estates, in whose interest the indentured labor was imported, to shift the burden of caring for and returning these laborers, in case the estates now employing them should be abandoned. Every shrinkage of cane area under cultivation not only tends to discourage further importation of labor, but also tends to place the labor already on hand upon the land as the most economical way out of the dilemma between social disorder and further depression. As long as the coolie labor system ruled the situation—from 1845 to 1885—the small proprietor would neither give up his little mill nor would the large proprietor have any need for the superior cultivation of the peasantry. Now that it is becoming clear that the whole sugar industry is laboring under a serious disadvantage by having to depend upon imported labor, the readjustment of the large sugar factory to the small cane farm is beginning to point the way to a permanent solution.

This solution lies prospectively in the establishment of central factories and their economical adaptation to the farms on which they must rely for their canes. This development is generally in its incipient stages in the West Indies, though it has become fully established elsewhere, most successfully as for example, in Queensland. But the past has sufficiently proved that, as Dr. Nicholls has said, "sugar can now be made to pay only when the manufacture is conducted on so large a scale as to require enormous expenditure and very complicated machinery. The system of *usines*, or central factories, is being introduced into various parts of the West Indies, and it promises to do much good, in a general way, to those tropical planters who, without much capital, are desirous of cultivating the cane. The *usines* buy the canes from the planters at remunerative prices and so the agriculturist has only to confine his attention to proper agri-

cultural matters. This is as it should be, for the double system of carrying on the business of a cultivator and a manufacturer is not likely, in these days, to be followed with success. . . . He should be content to raise the canes on his land, and to allow the manufacturer to make the sugar. The planter will then raise better and more abundant crops, and the manufacturer will make better and cheaper sugar. In a large factory, scientific matters can receive due attention, and the management must be cheaper and more effective than it can possibly be in many of the small 'sugar works.'¹

The central factory system, which is the next step in the development of the sugar industry in the British West Indies, can not rely wholly as yet upon the small proprietor or the small tenancy in any form to supply an adequate amount of canes for the large mills. The situation is here similar to that in the beet-sugar districts of Europe. The small farmers or peasantry are loth to make contracts for a period of several years in advance to supply canes at a fixed rate per ton. The rate is established from year to year and the certainty of getting canes at all is not by any means guaranteed for the future, in view of a contract that may be broken off at the end of any season. With a capital of \$250,000 tied up in a new factory—it hardly pays to manufacture on a smaller scale than this—some source of cane supply must be assured the enterprise other than that the small farm affords. Hence the larger estates, singly or consolidated, must for some time to come, in many quarters rely on coolie cultivation under control of the central factory. Even though the cost of the canes be greater, as is generally the case, by coolie labor than by peasant farming, the central factory will have to pay this premium in order to make sure of a considerable proportion of the required canes to keep its plant at work from year to year.²

There are two tendencies which favor a more economical correlation of the factory and the cane-farm. There is a growing reluctance, in most places, both on the part of imported and native labor, to work for wages on the large estates. As soon as indentured labor is free it gravitates toward some form of

¹ Nicholls, *Tropical Agriculture*, Ch. V.

² Report of the W. I. R. Commission, p. 36.

tenancy of land out of which it may make a livelihood. Only a minor proportion of the coolies ever return to the East, in spite of their right to a free passage. They generally settle upon the land, and their descendants eschew wages as a badge of servility; though when once settled, they are glad to have the opportunity to work on estates occasionally, because they do not thereby lose their status as landholders. The native population is in substantially the same position, though it is much less inclined to continuous labor, is unreliable enough to leave its employers in the most critical point of the cane-harvesting season, and is more difficult to manage when it is willing to work. Yet these people are hardly at fault. They have taken to the land in self-defense in the precarious state of the sugar industry, and have been forced to rely on their own resources. The supply of labor is apparently adequate if not superabundant, and yet it is not available as wage-labor, simply because the laborers have the alternative of rejecting wages and electing to live out of their own industry on the as yet unoccupied land. With this has come, when properly encouraged, a superior class of rural proprietors capable of competing successfully with the estates in cane cultivation, provided they have not been made to bear too much of the risk involved in their experimental relation with the central factory.¹ Factories generally prosper where cane-farming prevails, until drought, low prices for canes, and general discouragement kill the slowly acquired enterprise of the peasantry, who then live on the products of their own lands, cultivate enough canes to buy a few household goods, or quit growing them entirely until higher prices at the factory furnish inducements to begin again. "Cane-farming," says the acting Governor of Trinidad, "will go a long ways towards saving the sugar industry if properly carried out and encouraged."

The other tendency, favoring the adjustment of the factory and the cane-farm for the more economical production of sugar, is seen in the increasing difficulty of depending on an additional supply of indentured labor. Many parts of the British West Indies are already overpopulated by imported coolies. The coolie system was the outgrowth of the necessities of the large estate

¹ *Ibid.*, p. 102.

system of production, subsequent to the emancipation of negro slaves. Any further importation would inevitably increase the unproductive portion of the population, for which the authorities must be responsible in case of the collapse of the sugar industry. The local authorities are therefore rarely willing to sanction any further immigration from the East. Moreover, the sugar industry itself is considered as laboring under great disadvantage on account of its dependence upon indentured labor. It is proving to be a millstone about the neck of the estates themselves, as well as a drain on the revenues of the several colonies. The estate, under this system, has to pay passage both ways for each coolie immigrant, and to pay regular wages besides for a period of years specified in the contract made under governmental approval and enforced with scrupulous fidelity against the employer and for the protection of the immigrant. In British Guiana each coolie costs the estate importing him \$147.50 round trip for passage money, besides the yearly wages, regardless of the state of the sugar industry. One-third of the population of the colony is coolie, and 79 per cent. of the people engaged in the sugar business belong to the same class.¹ The same proportion of the population of this colony is said to be of an unproductive character, in the sense that it adds nothing to the general wealth of the community.² Even though the existence of the sugar industry, on its present scale, is in some colonies dependent upon this indentured labor, that does not imply that any further increase in importation under present conditions will figure in the question.

From the standpoint of agricultural policy, therefore, two complementary systems of cane-cultivation are developing, both of which are still necessary for progress in the higher utilization of labor and land. The large estate makes its main business manufacturing, but stands for progressive agriculture. The peasant excels in cane cultivation alone.

Hence it is not difficult to see just how such economies in production will inure to the gain of the sugar industry. For agriculture it involves the transition from the extensive, semi-

¹ *Ibid.*, App. A, Sec. 50.

² *Ibid.*, App. A, Secs. 25 and 38.

slave methods of cultivation to the intensive control of the resources of the soil. This means the better selection of lands, the adoption of improved methods of manuring, the use of improved varieties of cane, according to the different qualities of soils, the immunity of the plants from fungus diseases and destructive insects, and improvement in the juice-yielding capacity of the plant, both in quantity and chemical quality. In this last mentioned item alone, the most progressive planters in British Guiana have been able to get a yield of 15 to 26 per cent. more sugar, from improved varieties of cane on the same soil and under the same conditions, than they had previously been able to get from the old Bourbon canes.¹

The weakest feature in the whole West Indian sugar situation is not simply agricultural; nor are the labor forces responsible for the present distressed condition of these colonies. It is in the manufacturing processes that the real cause of the lack of prosperity has to be sought.² The factory is after all the feature which decides the future of this industry. Its management and methods control the entire policy and so determine the direction of development as well as the rate of progress. If then the factories are managed to the general advantage of those who supply the canes, rather than for the maximum immediate advantage of outside capitalists, the consolidation of estates would inevitably follow, the settlement of the better class of blacks upon the small holdings into which these estates are divisible would readily ensue, and the construction of tram lines to coördinate these holdings with the central factory, as is the case in Cuba, in Egypt, and in Queensland, would put the industry in a position to get its raw materials at a comparatively low cost. But the advantages of all economies of organization and division of labor, of superior natural resources and scientific agriculture are practically non-existent for factories which refuse or fail to take advantage of improvements that alone can place the industry they serve upon a practical and scientific basis of competitive efficiency.

It is hard to realize how utterly wasteful many of the existing

¹ *Ibid.*, p. 86.

² Clark, *Commercial Cuba*, p. 212, quoting British Consular Report.

methods of sugar manufacture are in the British West Indies, as compared with what one sees on the Continent, in Java, in Hawaii, or on the best managed estates in Cuba. In Antigua, the governmental head of the Leeward Islands, for example, "the methods and appliances in use for muscovado sugar have undergone little change during the last two hundred years"; yet "by the introduction of good machinery and proper manufacturing processes sugar could probably be produced at cheaper rates than in any other part of the world." In the opinion of competent judges this island loses annually in sugar wasted by antiquated processes of manufacture an amount equal in value to half of its total export.¹

St. Kitts-Nevis have together one hundred and thirty-six estates, only one of which produces vacuum pan sugar; the others confine themselves to common muscovado, or the lowest marketable product. A typical estate in Nevis gets only 60 per cent. of juice from canes, though 80 or 90 is a good average. The sugar derived from this yield of juice by the old processes is but 6.32 per cent., whereas by improved methods widely in use elsewhere 7.25 per cent. is ordinarily obtained. In other words, it takes sixteen tons of canes to make a ton of raw sugar by the old muscovado process; by the vacuum pan process it takes 13.79 tons of canes per ton of sugar of a much superior quality in the classification of the market; while by central factories it is admitted that ten or eleven tons of a like grade of cane will yield a ton of sugar. There is, therefore, a loss due to low standard of manufacturing efficiency varying from 14 to 31 per cent. in weight alone, to say nothing about difference in commercial quality between common muscovado and vacuum pan product.²

Manufacturing conditions in Montserrat are even more defective than in St. Kitts-Nevis. The loss by defective processes is estimated at from 30 to 50 per cent. Consequently the industry is in danger of extinction; prices for some time have been below cost of production. Wind power and water power are still used in about half of the mills for crushing canes. This gives a much lower crushing power than the steam mills possess.

¹ Report W. I. R. Com., App. K, Secs. 341-343.

² Ibid., Sec. 336.

Such an establishment has little chance of survival in competition with a factory of modern equipment, except perchance as a subsidiary feature of farm enterprise. In this case the sugar is sold by the barrel to the large factories or large estates, or enters into local consumption. Though only a small proportion of the total, it represents that portion which is produced at the greatest disadvantage on the margin of manufacturing efficiency.

In Dominica the level of efficiency has fallen lower still. Only the commonest grade of raw sugar is made. The employment of scientific principles, according to an official expert's report, is unheard of here in the manufacture of a high grade of product. The multiplicity of small factories and the wastefulness of methods so enhance the cost of production as to suspend operations entirely. Professor Harrison describes the manufacture of sugar in St. Vincent as being in a most deplorably backward state. Water mills are almost universally used and the clarifying processes are indifferently attended to. Grenada now produces sugar simply for distilling purposes, and in 1895 actually imported 500,000 pounds for its own consumption. Tobago uses steam power for crushing on only one-half of its estates. And so generally in the smaller islands—the improvements in manufacture have not kept pace with those in other sugar-producing communities. With a declining level of prices many more of these small mills will disappear, because even the local supply will be met from outside.

In the four larger colonies, however, a much higher level of industrial efficiency prevails. The estates are larger and the scale of production much more extensive. Technical improvements have displaced the primitive methods of former years. In British Guiana the average return of sugar for the colony taken as a whole runs as high as 9 per cent. of the weight of canes. Here the net cost of producing a ton of sugar has been reduced from \$77.82 in 1883-84 to \$43.56 in 1895-96. This reduction took place mainly in the cost of manufacture, though the cost of cultivation has also fallen, especially in wages paid to field labor. Taking each reduction separately, the cost of manufacturing has been reduced 51.4 per cent. in the period, and the cost of cultiva-

tion 32.8 per cent. And the total reduction corresponds almost exactly with the fall in the average price of sugar for the period under consideration. The gross output, in spite of declining values, is just about what it was fifteen years ago. Nevertheless the limits of economy and improvements seem to have been reached. The report of Dr. Morris on the agricultural resources of British Guiana concludes "that as regards the general suitability of the soil for the cultivation of sugar-cane, as regards the methods of cultivation and manuring pursued during the last fifteen years, and as regards the character of the machinery and skill devoted to the manufacture of sugar, British Guiana occupies a high position as compared with other cane-growing countries. Nevertheless, it is evident that with present prices the margin of profit is reduced to a minimum. Where the soil is exceptionally good, and with a succession of good seasons, the best equipped factories may still survive, but no provision can be made for bad seasons, other unfavorable conditions, and the outlook for the colony as a whole cannot be regarded as of a promising character."¹

In Trinidad the product is largely of a superior quality. Half of the exports are sugar products. The majority of the estates are provided with modern machinery and are said to be fairly equipped to produce sugar by the most approved processes. Out of thirty-nine estates, twenty-six make 86 per cent. of the total crop, all of which is vacuum pan sugar. The quality of the product is therefore superior, and out of a total export of 53,822 tons, only 3,850 tons were common muscovado. This puts Trinidad on a different plane as a sugar-producing colony, so far as prices are concerned. Nevertheless there is likely to be a very considerable shrinkage in the area of cultivation at present prices. The Governor-General estimated in 1897 that within three years, under existing conditions, the industry would be reduced by one-half. Since then prices have improved somewhat, and improved trade relations have arisen to the advantage of the sugar business. This business has profited also by the tendency to promote the non-sugar industries of the island. Like Trinidad, Jamaica has productive possibilities

¹ *Ibid.*, App. A, Sec. 33.

of primary importance apart from the course of the sugar market. Jamaica's alternative is rum distilled from sugar. Rum is distilled on one hundred and thirty-eight out of one hundred and forty-eight estates, a ton of sugar yielding one hundred gallons of rum. The manufacture of rum has in recent years been more profitable than the sugar industry. The latter is in a somewhat backward condition as to quality of product; only two estates produce vacuum pan sugar, eighty-four produce open pan centrifugal and forty others nothing but common muscovado. Of these estates, ninety-five use steam power, thirty-eight water power and four cattle power. The large number of small mills must cause the cost of production to vary much and to average comparatively high.

Anything like a reliable average cost of production in so large and varied a group of producers is out of the question. The figures we get vary greatly in value, but are still to be taken as the estimates of those most intimate with the business. British Guiana produces raw sugar at an average net cost of \$43.56 per ton. Barbados produces muscovado at an average cost of \$41.66, though the market price for that crop was a dollar less than this average cost. The experiments of the chemical expert show that this loss might have readily been turned into a gain of \$2.68 per ton by the economies of the central factory system.¹ The cost of production in Trinidad varies from \$29.04 to \$48.40 per ton. The average price of standard unrefined imported into the United Kingdom for the same year was \$54.69. Even though beet-sugar brought \$3.25² per ton less than cane-sugar, there still seems to be a good margin left for profit at this cost, because the best qualities and grades of cane-sugar do not compete as directly as the common kinds with the beet-sugar. It must be remembered, however, that a larger proportion of West Indian sugar is probably produced under disadvantages peculiar to antiquated methods and hence at an unnecessarily high cost. At the other end of the scale of cost stands Grenada, where industrial progress has kept pace with falling prices. But between this level and that of the small mills of Barbados, in which 40 per cent. of the sugar is lost by the old muscovado process, there

¹ *Ibid.*, App. A, Sec. 110.

² *Ibid.*, p. 4.

is a difference in cost from which the small mill, under present conditions of competition, has to get its profit or perish.

The question of future policy has a far wider meaning than the fortunes of a numerous class of antiquated sugar mills. To Great Britain the purchasing power of her colonies is a matter of primary importance; and this depends on their industrial prosperity. It has been her policy to promote this in various ways. Consequently Great Britain still holds the second place among states producing cane-sugar. The policy of the eastern dependencies of the empire toward sugar production is likely to react upon the policy now in process of formation for the western ones. Australia, for example, advances public funds to her sugar factories at low rates of interest and on easy terms of payment. Indian investors in sugar-cane culture and manufacture are protected by a countervailing duty,¹ and in Egypt the government is the real capitalist behind much of the extraordinary development there reached.² The fact that in India the production of a domestic supply is the burden of the sugar policy, while in the West production for a foreign market is the ruling object, cannot be relied upon to prevent the imperial government from putting the West Indian sugar industry in a position to take care of itself in the world's market. The soul of political allegiance on the part of most of these colonies is wrapped up in the sugar question. Out of the present travail of depression a development on a more enduring economic basis is absolutely necessary to the future usefulness of these colonies to the empire.

The economic conditions of which a developmental policy must take account may be summarized as follows: This time-honored industry has come to the end of an old *régime* and for its continuance a new basis of organization must be found. In spite of the almost exhaustless resources of the soil, of the superabundance of labor and the cheap means of communication, which the islands possess with one another, and with the outside world, this industry has not succeeded in holding its own, but is really in fear of almost total extinction under lower prices. Under these conditions capital has ceased to seek investment,

¹ Since March 20, 1899.

² U. S. Consular Report, Vol. 46 (1894), pp. 38-44.

except in establishments in control of men and operated by methods of modern standards of efficiency. Excepting gold from British Guiana and asphalt from Trinidad, West Indian industries are almost exclusively agricultural. There is no prospect of manufacturing as an alternative to agriculture. Hence any successful policy must have the best kind of an agricultural basis on which the whole future prosperity is to rest.

The question of policy here divides itself into two questions—that of the internal development of the islands and that of commercial relations with external markets. These are two complementary aspects of the same policy. On the question of internal policy likewise two lines are open: (a) That of restoring the sugar industry to a condition in which it can be profitably carried on. (b) The substitution of other profitable agricultural industries for the culture of sugar-cane.

If the first of these lines be followed, one main difficulty will be to get sufficient capital to carry it out. Appeals to imperial sense of duty will not cause capital to flow hither. Even Sir Thomas Lipton's offer¹ to invest £1,000,000 in West Indian enterprises would not go far enough to reach a restoration under present conditions. Undoubtedly adequate capital at a low rate of interest is one of the things needful to restore many of the sugar estates to cultivation by consolidating them under the control of central factories of large capacity. The peasant proprietor could profit much by popular loan-banks. But the credit of the colonial governments has suffered much with the past and prospective decline of the sugar industry, and the imperial guarantee is very difficult to obtain. The real difficulty, however, lies deeper than the simple scarcity of capital. That is only a symptom of a remoter cause. The fundamental need of almost the entire West Indies is the application of scientific methods to the cultivation of cane lands. It is true that there is not a little excellent farming, but it is not universal enough to favorably affect the level of the cost of production of sugar in competition with the superior methods of other countries. "If the sugar planters had taken as much care to improve the quality of their canes, as the European and the American horti-

¹ *London Review*, Dec. 10, 1898, p. 5.

culturists have done to improve their fruit trees, by this time the sugar-cane would have been so much improved that its greatly increased yield would have preserved the industry from much of the misfortune that has come upon it."¹

But methods do not improve without men. The key to the whole situation in the policy of restoration of sugar lies not in supposing that the land is worn out, nor that labor is inefficient, or even in assuming that capital is not available. The fact is rather that the business capacity of these communities as far as it relates to agricultural policy is worn out.² It is less so of manufacturers dependent on agriculture. But it is generally true that the business ability to be found there has proved itself incapable of utilizing the economic resources at its command and for that very reason cannot command capital, nor control labor nor organize its wealth of agricultural resources. The headmaster of the high school in Jamaica confirms this analysis, which applies generally. He writes: "At present whenever a Jamaica proprietor wishes to improve his cultivation and the method of handling almost any product, he has to get his agents from abroad, and yet, in face of this, surprise is expressed that the intelligent Jamaica youth turns away from agriculture. He has at present no opportunity of being trained to become available, of being fitted to fill the most useful and best paid posts or of being prepared to meet foreign competition; his own prospect is that of being a hewer of wood and drawer of water, and seeing all agricultural work which requires scientific training monopolized by outsiders."³

If the sugar industry is to be restored, there are three other economies that must be attended to—economies which are wholly internal to this group of colonies. In the first place, the enormous loss in the quantity of sugar recoverable from canes must be prevented. In many cases this economy alone would restore establishments to a profitable basis. An average crop of canes in British Guiana, for example, is thirty tons per acre; this yields twenty-five tons of juice, of which 15 to 18 per cent. is crystallizable sugar; but the best factories get only 6 or 7 per cent. The

¹ Nicholls, *Tropical Agriculture*, Ch. V.

² The West Indian Agitation. By Harold Cox. London, 1898, p. 5.

³ Journal of the Royal Agricultural Society, May, 1897.

second line of improvement consists in *bettering the marketable quality* of the sugar. The common muscovado has ceased to be profitable to many producers; such as have no facilities for a better grade of product must put a low grade or none upon the market. The advantage is much in favor of the superior grade in the competitive markets. Where this has been a feature of the sugar industry, as in the case of Trinidad, a much less acute condition of depression prevails; indeed, the industry is here able to take care of itself. A third class of internal improvements includes a *more rational land policy* by which the settlement of the surplus population may be accomplished on the crown lands or on the estates that have fallen out of cultivation. Another measure is the establishment of better facilities for *communication among the different colonies*, so that the surplus labor and products of one colony may readily reach the markets where a scarcity exists. As things are now, some communities have a double supply of labor while others have a scarcity. These facilities, with agricultural banks, adapted to the needs of the cane farmer, lie at the basis of any policy to restore the sugar industry to a position in which it can hold its own.

Quite as necessary in a permanent policy, and of the utmost immediate importance in the pending crisis in the West Indies, is the question of forming favorable commercial arrangements with foreign markets. This is the part of the new policy to which the imperial authorities are giving positive encouragement.¹ The reciprocity treaties between the British West Indies and the United States now being concluded will give the sugar products of the former a double advantage as long as the countervailing duty on bounty-fed sugar is maintained by the United States. This alone ought to give a considerable impetus to the policy of restoration of West Indian sugar industry, and at the same time stimulate the development of alternative industries. Simultaneously with the reciprocity treaties the imperial government has contracted for subsidized steamship lines between the West Indies and the British ports on the one hand and Canadian ports on the other. These contracts call for fortnightly trips and run for a period of five years. The subsidy is \$10,000 a

¹ *New York Times*, July 19, 1899. "England's Plans for Trade."

year, the imperial government to pay the half of that amount. This policy is evidently aimed at the isolation which has gone far to ruin these colonies. Political considerations have forced this plan upon the home authorities; because it is evident since the Spanish-American war that unless Great Britain does more than she has been doing for her West Indian possessions, they are likely, of commercial necessity, to seek political affiliation with the United States.

As for the other policy—that of abandoning the sugar industry for alternative industries of an agricultural character—the time is not ripe and it cannot be done in a year. The single crop system seldom leads to the largest net returns, it is true; and the tendency is slowly away from cane-growing on less favored lands toward concentration upon the most favored districts for sugar production. Certainly in a territory where only 7.22 per cent. of the cultivatable area is actually in use there is room for variety in the employment of capital and labor. As Adam Smith pointed out in his memorable chapter on the division of labor, diversification of industries requires a widening range of market. And this is precisely what the newer policy means for these colonies. It simply spells opportunity—opportunity for regular access to several different markets with the products they now have to offer. Diversification will doubtless come with time. But the need of the hour is relief under present conditions.

There are those who see little prospect of improvement in cane-sugar, because of the enormous gain made in beet-sugar during the past twenty years. In all this time the British West Indies have maintained the level of their average output of sugar, in hopes that in the near future the beet-sugar bounties would be abolished. Meanwhile the bounties have become a fixed feature of the world's sugar situation. Hence the policy that succeeds must reckon with them as such, for the present at least. The causes of the depression are internal—agricultural and industrial rather than commercial; and the remedies must be of a like character. Any other policy must become the sport of outside circumstances.¹ Capital will follow business capacity to

¹ London *Times*, March 17, 1899: "England and the West Indies."

the British West Indies as readily as to any other cane-sugar fields, under equivalent opportunity for its profitable use. Of other economic resources they have more than enough for present needs. Fresh initiative, a better grade of organizing ability, and a prudent adaptability to changes in the long run must outweigh the advantage of export bounties. European bounties may have occasioned distress in not a few of the tropical sugar countries, but no country has yet been found in which these much-abused bounties have been the cause of the failure on the part of the tropical sugar industry to develop. Under precisely the same conditions cane-growing has prospered in hundreds of other tropical localities, by attention to improved methods of culture and manufacture. If the British West Indies fail to do this, it is because those who are responsible for development persist in standing in their own light.

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NOTES.

Social Economy at the Paris Exposition. The study of the exhibits in the field of social economy at the Paris Exposition is tiresome and often provoking. The materials are scattered through several buildings, are in many instances badly classified or not easily accessible, and are mixed with much advertising matter. One finds, for example, the material relating to the American negro in one building, and that relating to the American Indian in another, the exhibit of Hampton Institute being thus divided into two parts. A chart giving the *per capita* expenditure of boards of health in the United States is found next to a display of Swedish stoves; and the tables of female criminality in Boston are near neighbors to a group of American bath-tubs. In the United States exhibit, the most prominent place is accorded to the blazing display of a New York insurance company; while a case apparently devoted to statistical charts turns out on examination to be filled with the advertising matter of type-writer and sewing machine concerns. Moreover, relatively, considerable space—where space is very precious—is devoted to photographs of railways, which would seem to have been more appropriately housed in the transportation section. We are not disposed to blame anyone for all this; the insufficient space accorded to the department of social economy, the obvious difficulty of defining clearly its limits and classifying its contents, the inclusion of this group—in the case of the United States—within that of education, as well as the inevitable though lamentable pressure, on all such occasions, of commercial and political interests, will go far toward explaining and perhaps excusing this condition of things. But it is none the less unfortunate.

Nevertheless, no previous exposition has contained anything like the same amount of material illustrative of social conditions and activities, as this. The *Palais de l'Economie sociale, et des Congrès*—which, by the way, was itself built by several coöperative societies—contains on the ground floor exhibits from thirteen countries, on the first floor several assembly rooms for the use of the various congresses which meet during the summer, and in the basement a small, unattractive and inaccessible space allotted to the *École Internationale*, whose officers and lecturers are engaged in the laudable but discouraging effort to make the treasures of the

Exposition available for the instruction of the multitudes who visit it. Of this *Palais*, France has reserved for her own exhibit half of the ground floor, besides the walls of the stair cases and assembly halls, thus leaving scarcely more than a third for other countries. In this absurdly inadequate space, Germany, Holland, Sweden, Austria, Belgium, Great Britain, Hungary, Portugal, Italy, Russia, Switzerland and the United States have gathered a large amount of instructive though miscellaneous matter. Germany, with characteristic discreetness and thoroughness, confines herself mostly to a single subject, and makes an admirable display of the methods and latest results of her system of workingmen's insurance. Italy sends an attractive collection of the statistical and other government publications for which she has such repute among scholars. Switzerland devotes much of her space to temperance, the peace movement and the Red Cross Society. The British section contains, among other things, a fine set of diagrams contributed by the Charity Organization Society of London, and Mr. Booth's unique social map of that city, some twenty feet square. France, which alone has space enough, has a very large collection of charts, diagrams, maps, models, photographs and printed reports, exceedingly suggestive pedagogically, and covering such themes as the housing of the working classes, apprenticeship, the education and protection of workingmen's children, private and public enterprises for the welfare of the people, profit sharing, cooperative associations, trades unions, provident institutions, insurance and employers' assistance. The United States section contains an excellent set of charts mainly illustrative of the geography of production, exhibits by the American Library Association—which would have more appropriately and advantageously been placed in the education section—by the League for Social Service, the Tenement House Committee of the New York Charity Organization Society, the Commercial Museum of Philadelphia, and the Labor Bureaus of Washington and of all of the States where they exist. Perhaps the most orderly and effective exhibit is that relative to the progress and present condition of the negro race in America; this, and the exhibit of the American Library Association, attract much attention from European visitors. The American section also contains a series of some twenty monographs, written by various authors and edited by Professor Herbert B. Adams and Richard Waterman, Jr., and covering such points in the social condition of the United States as it was thought would most interest foreign inquirers. The sections of hygiene and pub-

lic charities, instead of being associated with that of social economy, as they manifestly should have been, are placed in an unfrequented gallery in the *Champs de Mars*, on the other side of the Seine. The Hawaiian exhibit is installed in the *Trocadero*.

Although the list of awards is not given out, it is understood that the United States will receive a larger number, and of higher grade, in the department of social economy, than any other country, after France. It is likely that many of the exhibits will go to increase the already important collections of the *Musée Sociale*, which owes its useful existence to the Exposition of 1889; and it is certain, considering the qualifications of those who have been selected to prepare them, that when the official reports appear, they will be of decided and permanent value. One may, perhaps, also mention here the exhibit made by the city of Paris, though this is installed in another building, and does not technically belong to the section of social economy. The student of municipal affairs in particular, and the sociologist in general, will be apt to find this the most interesting and instructive single feature of the Exposition.

W. F. B.

French "Assimilation." A colonial study,¹ having particular reference to French methods of dealing with indigenous races, has recently been published by Léopold de Saussure, an author who seems to be able to take an unprejudiced and dispassionate view of his country's policy. Inasmuch as most works on colonization treat this question of racial contact fragmentarily and with scant attention, the present volume is somewhat unique. Though it has to do chiefly with the colonial policy and experiences of the French, the study is constructed on lines which make it valuable to any colonizing people.

The treatment is psychological in so far as the author insists upon the hereditary character of the mental traits of races and regards the various social phenomena, such as language, institutions, etc., as emanations of the type of mind peculiar to the people which exhibits them. In adopting these axioms, de Saussure avowedly, though with discretion, follows the lead of Gustave Le Bon. From

"*Le* premises stated, the *à priori* deduction is, that language, institutions, etc., having developed through slow accumulation, generally by generation, cannot be hastily altered or supplanted by alien

Psychologie de la colonisation française dans ses rapports avec les Sociétés étrangères, 1899.

systems, evolved by a higher culture-stage. This thesis the author undertakes to sustain from the history of the colonial experiences of the French.

The nations derived from the Latin stock have ever been sharply distinguished from other colonizing peoples; where the Latins have clung to theory and system, the Dutch and Anglo-Saxons have regularly adapted their policy to existing conditions, with results which the world knows. The little dogmatism left in the English system is religious, of little effect and comparatively harmless; sacerdotalism has been responsible for much of the ill-fortune of Spanish and Portuguese colonial ventures; but it was reserved for the French, in modern times, to carry theory to lengths in the political and social field.

The French mind takes to cut-and-dried systems; the sense of symmetry and order which evolved the metric system is the same which was captivated by the doctrine of "assimilation." This doctrine finds its roots in the ideals of the school of dogmatists which preceded the Revolution; their well known ideas concerning the essential equality and reasonableness of all men became ingrained in the French mind, and have been dislodged by no experience, however bitter. Such an hypothesis regarding man would naturally imply, as a corollary, that lack of civilization and barbarism are due to mistaken or degenerate reasoning. Show the noble savages, who ages ago possessed the mentality to form a "social contract," the picture of the highest (i. e. French) civilization and they will at once recognize their own faultiness, and with a deep sense of gratitude for generous aid bestowed, mend their ways. The French mind, the author says, is so saturated with such idealism that all the faults of this unphilosophical and disastrous colonial system are imputed by them to this and that functionary, or to the fact that the system has not been applied radically enough. The French themselves present an example in point of the inability of a people to observe the incompleteness and error of their own racial habits of thought.

The results attained by the French in pursuing this policy of "assimilation" are often undignified and sometimes ridiculous. The author discusses assimilation through education, institutions, language, etc., and by the use of striking examples, demonstrates the futility of each method. He himself, however, does not favor a let-alone policy. He believes that, since all social phenomena rest upon the economic basis, general security of trade and mutual

confidence should first be established; and that there would follow upon this policy, which has the added advantage of being acceptable to the natives, a stimulation of new needs which would gradually lead to an adoption of a more developed language, more elaborate institutions, etc.—a language and body of institutions commensurate with the larger demands of a more developed material civilization. The French have put the cart before the horse in attempting first of all to impose a developed system of judiciary, religion, etc.; they have thus wounded the natives, have inspired fear and distrust, to say nothing of hatred, and have thrown undeveloped societies into a chaos where old customs are gone, the new are not understood, and immorality supervenes.

In the course of the study, especial attention is paid to the Romans in Gaul, the English in India, the Japanese, and to the status of the negroes and mulattoes in Haiti. The treatment is strong, practical and supported by well-chosen facts.

ALBERT G. KELLER.

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Railway Accidents in England. The Royal Commission appointed in May, 1899, to inquire into the causes of railway accidents and to report on the feasibility of rendering the occupation of railway employees less dangerous "having regard to the working of railways, the rules and regulations made, and the safety appliances used by railway companies," rendered its report in January, of the present year. The Commission was appointed as a concession to the interests represented by the Board of Trade after the defeat of the bill introduced into Parliament by that body, requiring all railroad transportation companies to equip their trains with automatic couplers within a determinate time. The Commission appointed was a notable one, representing as it did the public interests, the railways and the engineering profession by men of large experience and distinguished reputation: Lord James of Hereford, Viscount Hampden, Sir George E. Paget of the Midland Railway, Sir Guilford Molesworth, Sir Charles Scotter of the London and Southwestern Railway, the Honorable Ailwyn Edward Fellows, Sir John Wolfe-Barry, Sir Alfred Hickman, Major-General Hutchinson, Mr. H. H. S. Cunnynghamé, Mr. W. M. Ackworth, Professor Elliot, Mr. Charles Fenwick, Mr. Walter Hudson, and Mr. J. E. Ellis.

The report investigated the facts and proposed certain remedies. The Commission found that in 1898, out of 534,141 railway

employees, 522 were killed and 12,826 were injured, while of 87,324 workmen employed in especially dangerous situations, there were 212 killed and 1,531 injured. That is, over two-fifths of the accidents occurred among about one-fifth of the employees. The following table, prepared by the Commission, discloses the danger to which the various classes of railway labor is subjected in comparison with other so-called dangerous employments:

PROPORTIONATE RISKS IN VARIOUS DANGEROUS TRADES.

Description of Labor.	Killed from all causes per 1000 employed.	Injury from all causes per 1000 employed.
Railway servants in general, excluding contractors' men, clerks, mechanics.....	1.24	31
Goods guards and brakemen	2.92	61
Permanent way men or platelayers	1.9	16
Shunters	5.08	78
Men porters (railway)	1.15	63
Seamen (merchant service)	5.2	Not known
Coalminers (underground)	1.37	Not available
" (surface).....	0.92	"
Metalliferous mines (underground)	1.34	"
" (surface).....	0.43	"
Factories—Textile (males)	0.1	6.2
" (females) .....	....	2.7
" Non-textile (males)	0.2	13.8
" (females) .....	....	2.0
" Extraction of metals (males)	1.1	16.4
Ship-building (males)	0.5	39.3

In regard to automatic couplings, the Commission reports that "the condition of things taken as a whole may be said to be that the European countries are in an experimental stage," while in the United States on July 1, 1898, there were 70 per cent. of the cars equipped with automatic couplers which had served to materially diminish the accidents due to shunting and coupling. The Commission excuses the tardiness of the English railway companies in adopting the automatic coupling on the ground that (1) the system now in use on English railways is much less dangerous than that formerly used in the United States, and (2) for the very practical reason that no system of automatic coupling has as yet been devised suited to the English style of car. The Commission reports that while there seems to be no dearth of automatic couplers in the hands of the inventors, none of them have been put to the test of actual trial, and therefore recommend that the Board of Trade be authorized to appoint a Departmental Committee to work in connection with

the railway companies in devising and testing a coupling that may be adapted to the needs of the English transportation system. In their investigation the Commission found that there were many accidents occurring not due to the process of coupling or uncoupling which, with care and attention to minor details, might be much lessened. Hence it advises, among other things, "that there shall be steam or air brakes on all engines," "that all stations or sidings where shunting operations are frequently carried on after dark shall be well and sufficiently lighted," together with other devices likely to render the life of the employee more secure.

The most significant feature of the report, however, is the proposal to class certain kinds of work on the railways as "dangerous trades" and therefore subject them to state regulation under the direction of the Board of Trade. Two interesting questions suggest themselves here: 1) Is the Commission advising an extension of the activity of the state, and 2) What would be the economic effects upon the industrial system, provided the state prescribes the conditions under which the railway companies may conduct the work of transportation? A glance at the table above, which is probably sufficiently accurate for our purposes, discloses the fact that railway employees in general are subject to approximately the same danger as miners, and that one special class of workmen, viz., shunters, to use the English term, run about the same risk of being killed in the course of their employment as seamen in the merchant marine—an especially dangerous employment. Now the trade of merchant shipping and that of mining is controlled by the state owing to the dangers in connection with it. The state may prescribe under what conditions these trades may be carried on, may regulate and control the methods of working and the employment of machines and processes. To include the specially dangerous employment of railway service among those regulated by the state is, under these conditions, not an extension of the functions of the state; it is rather harmonizing the functions of government by readjusting the laws which previously had failed to give equal protection to citizens employed in equally dangerous situations.

The solution of the second question raised above is not so obvious. The railway transportation system is so complex, so delicately organized, that state regulation of the conditions under which it may be carried on might easily do more harm than good. The economic results of state supervision will depend almost entirely upon the spirit in which the Board of Trade enters upon the work

of regulation and the methods adopted by them in making their regulation effective. The unanimous testimony of the Commissioners, including the representatives of two of the great railway systems, is that "lives that could be saved are lost and men are injured unnecessarily," and further that "it was proved to us that in cases where the Board of Trade, after inquiring into accidents, had made recommendations of a reasonable character to railway companies, some companies had readily complied with such recommendations, whilst others had refused compliance." As is generally true in such cases, a few roads have a large responsibility in the matter of accidents, and these are the very ones that fail to observe the recommendations of the Board of Trade. If the whole industry is obliged to suffer stringent regulations in order that a few badly managed roads may be disciplined into safeguarding the lives of their employees, it will add only one further instance of vicarious suffering to the long list that history recounts in the economic world.

The responsibility of the railway companies to their workmen under the provisions of the Workingmen's Compensation Act makes any movement likely to safeguard the lives of the employees appeal not only to the humane instincts of the companies, but to their financial interests as well. If the Board of Trade is able to secure the hearty coöperation of the well managed roads, which appear to be in a large majority, together with that of the public and the professional interests, the experiment of state regulation of the railway traffic will have large chance of success. At any rate, the further movements in this line will be watched with intense interest on this side the Atlantic as well as in the rest of the world.

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Experiment of the Russian Government in the Manufacture and Sale of Spirituous Liquors. In January, 1895, the Russian government decided to make the experiment of taking into its own hands the manufacture and sale of spirituous liquors in four of the eastern provinces of the empire, and sufficient time has now elapsed to enable the effects of the change to become apparent. Under the new system it is necessary that cash be paid for the liquor and that none of it be drunk on the premises. It is all put up in sealed bottles and the charge varies directly with the quantity. As a rule there was no compensation

given to the holders of licenses, but in the province of Poland, it was found that some remuneration must be made, and there the inn-keepers were allowed to hand in a report stating the amount of their profits during the past year. These were averaged and multiplied by twenty to give the principal which it was thought equitable to repay them their loss. When the scheme started, it was with the double intention of attempting to lessen drunkenness and at the same time increase the public income. At first the temperance problem came to the front, but now all the energy seems to be directed to increasing the returns to the government. In the latter success has come. In the year 1893, before the reform, the income to the government from these four provinces from the excise duties and license fees amounted to 12,354,000 rubles. Even the first year of the experiment the receipts exceeded those under the old *régime*, and in 1897 had reached 20,375,000 rubles. From the Report of the Russian Minister of Finance, bearing the date of January 31, 1899, we learn that, in his opinion, drunkenness is by no means as common as it formerly was, and at the same time the effect on the economic condition of the people has been most salutary, in that they are obliged to pay for their drinks at the time of purchase. Formerly their crops were often pledged to the inn-keepers before they were raised and a season with drought reduced the peasants to the last extreme, while in many cases their property was taken by the one who supplied them with liquor. Judging from the limited time that has elapsed, the experiment seems to have succeeded and its future will be watched with interest.

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BOOK NOTICES.

North American Forests and Forestry; their Relations to the National Life of the American People. By Ernest Bruncken, Secretary of the late Wisconsin State Forestry Commission. G. P. Putnam's Sons, New York and London; The Knickerbocker Press, 1900—8vo, pp. vi, 265.

This is a timely book and well suited to the purpose for which it is written, and should have a wide reading by the American people. Its aim is not that of a text-book for technical education for professional foresters. It is, rather, a popular work, for the purpose of educating the general public to the importance of caring for our remaining forests and woodlands, and pointing out the nature of that importance and some of the problems involved.

The subject is not treated from the side of the sentimentalist contemplating the beauty of trees, nor from that of the speculator or lumberman with whom the development of the resources of the country is synonymous with the destruction of its forest wealth. The author from his professional experience has had exceptional advantages for discussing the subject in its several aspects.

In a dozen chapters he considers the nature and aspects of the forests of the United States, the relation of forests to mankind, the industries especially dependent upon forests, their destruction under mismanagement, their preservation and utilization under proper management, their relations to national prosperity and taxation, and explains what forestry is, what it has done in the older countries, and what it may do for this.

In several aspects the United States was originally and is still favored beyond any other country of the north temperate zone, in its natural forest wealth. This is true of the characters and aspects of its forests, of their original extent, the number of species of trees, the variety of character and qualities of the timber and wood, the size and majesty of many of the species of trees and in the luxuriance of much of its forest growth. But these very features have brought special problems to be solved by our people, first as colonists and settlers in a new country, and now as an old country providing for future and permanent prosperity.

When the European colonists came to the Atlantic region, they found an unbroken forest from the St. Lawrence to the Gulf of Mexico. Wherever an extensive view was to be had from any

commanding height, the whole landscape was densely covered with this forest mantle, clothing in its folds the hills and valleys alike, and everywhere hiding the ground. The salt marshes along the coast, a few small grassy swamps inland, and the naked summits of some of the higher mountains were the only breaks in this expanse of trees.

The early colonists came to plant a civilization in this wilderness. Agriculture was necessary and grain for the daily bread could not be produced in the shady forest. Not a square mile of fertile or even tillable land was to be found in any one spot ready for the plough or the hoe. Starvation everywhere confronted the new settler until sufficient forest could be destroyed and soil opened to the sunshine for cultivation. The present generation cannot appreciate the severity of the war which was waged against the forests by the colonists in all the settlements from Maine to the Carolinas and westward to the prairie region. It was a continuous battle and the conflict was severer than all the others combined. War with the savage Indians was intermittent, and a hostile tribe once conquered usually ceased from troubling any more. Some of our colonists had no Indian wars at all, but the battle with the forests was waged all the time and everywhere. It was literally a war for food and home and country. Acre by acre was laboriously won, but when from any cause a clearing had for a time to be abandoned, trees soon took possession of the soil, the wilderness returned and the enemy again occupied the ground.

The forests were a foe to progress in many ways. Land had to be cleared for cultivation, roads were built only with great labor, and then, a year's neglect might close the trail again with fallen trees or new growth. The forests so stubbornly resisted the march of civilization that for one hundred and fifty years the farms and villages did not extend to more than a day's walk from the navigable water courses, except in a very few favored places, and at the end of more than two hundred years, the battle was still going on along an extensive frontier. During all this period more wood and lumber was to be had for the mere cutting than was needed by the advancing population, and the flow of streams had not yet been so largely diminished as to create much obvious loss, or especial hardship.

After such a long and continuous fight for homes, lasting for four or five generations, it is no wonder that the masses of our people came to consider the forests as a foe to be destroyed, and

the lumberman and speculator was allowed to consider them as rich mines to be worked for what could be made from them, and then abandoned when worked out. Moreover, in the newer civilization, railroads made it possible to bring lumber from districts heretofore inaccessible, and, under these new conditions the destruction assumed more dangerous features, for it made possible the destruction of forests in regions not suitable for agricultural, but essential to the life of our streams and rivers.

Until lately there was little need for scientific forestry to be practiced. It little concerned the private owner of woodlands, so long as he could buy his wood and timber cheaper than he could grow it on his own land, paying taxes while he was waiting for it to grow. And the conditions had not yet arisen, except in a few places, to force governmental interference. But for the last thirty or forty years the problems have changed much faster and much greater than the general public has realized. Many of the old conditions have passed away and we are suddenly confronted with new and dangerous ones, which it is important should be met.

Now we have no frontiers awaiting settlement, and the diminishing streams and higher prices of lumber are awakening the people to the new conditions that are upon us and a sentiment for forest preservation, although growing rapidly, is growing too slowly. Already some of the grandest forests of the world, which, under a wiser system, might have been saved, are robbed of the wealth which they have been gathering for thousands of years, the value of the land they occupied is enormously lessened from what it might have been, and the country is so much the poorer because of the waste and lack of a rational forest policy.

Our forests must henceforth be better preserved, or the nation will rue its mistake. An actual scarcity of timber is by no means the greatest danger. The importance of forest preservation is greater in its relations to the conservation of water, even than for its lumber and wood. The capacity of a country for supporting a dense population depends upon agriculture, and in many of our States, which are otherwise rich in natural resources, the capacity for their agriculture depends upon the preservation of their streams for irrigation. There is practically no more public land suited for agriculture without irrigation, now left for settlement and occupation, and in more than one district the agricultural population has actually diminished within the last few years because of the diminished flow of water from the neighboring mountains, caused

by the destruction of forests. It will cost enormously to reforest some of these regions. In some places known to the writer, it will be practically impossible.

The future prosperity and density of population of at least thirteen of our States is more closely related to this than to any other of their natural resources. The matter of the conservation of water supply is of rapidly increasing importance in other aspects. Decade by decade a larger and larger proportion of the population of every State in the Union is living in villages and cities which must have public water supply. And the available supply is steadily growing more and more uncertain because of the increasing waste of water incident to the destruction of the woodlands. This question is of as much, possibly even more, concern in the more populous Eastern States than in the dryer regions of the West, which will never be able to become so uniformly populous.

Mr. Bruncken is to be heartily commended for his book and for the way he has treated the subject. The publishers have given it an attractive form and few can read it without pleasure and profit.

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Heredity and Human Progress. By W. Duncan McKim, M.D., Ph.D. G. P. Putnam's Sons, New York and London, 1900. Crown 8vo, 284 pp.

This book might have been entitled, "The Right of Society to Kill its Unworthy Members." That there are many of this description without whom it would seem that the world would be much better off, is hardly open to question. They are not all subjects for punishment. Those which are deemed such by the law the author holds as really punishable, not because man has a right to inflict any retributive penalty upon his brother man, but by way of repression. Society also is put to loss by idiots, imbeciles, epileptics, habitual drunkards, quite as much as by the robber or murderer. He does some single act of wrong: they spend their lifetime in uselessly wasting the possessions and wearing out the strength of others. Why, then, let them continue to cumber the ground? Why give them the opportunity to perpetuate their kind by producing children, who will probably be of a still lower order of degeneracy? Nature makes short work of brute animals that are found unable to do their part in the struggle for existence. Dr. McKim would have us profit by her example (p. 188). "The

surest, the simplest, the kindest, and most humane means for preventing reproduction among those whom we deem unworthy of this high privilege, is a gentle, painless death; and this should be administered not as a punishment, but as an expression of enlightened pity for the victims—too defective by nature to find true happiness in life—and as a duty toward the community and toward our own offspring." Administer a little carbonic gas, and the thing is done (p. 193). Let each case be thoroughly and judicially examined before sentence of extinction is pronounced. Governments have the same right to proceed against the idiot, in this way, that they have to execute a murderer. It is the right of self-preservation. It is the law of utility (p. 218). "More and more, thinking men are coming to the conclusion that all our knowledge and all our principles of action are derived, directly or indirectly, from the external world, that all the matter for the construction of our most ethereal thought and deepest feeling has been gotten, primarily, through the senses" (p. 210). Life is a mere phase of existence. No intuition teaches us that it has any special sacredness or value. "The divine method, plainly revealed in nature," of dealing with a feeble or pernicious life is to destroy it (p. 213).

Such is the general line of the author's argument. He writes with the earnestness of deep personal conviction, and from the standpoint of a scientific physician. If, he argues, it is every day's practice to take the life of an unborn infant to save that of the mother, and the general voice of the Protestant church, at least, approves it, what difference in principle is to be found in killing it after birth, if evidently unfit to live, in order to preserve society from useless loss? If an idiot falls sick and dies in infancy, all speak of it as a blessing to the family. Is it any less a blessing, if he die without the pain of sickness? But pathology, he declares, shows that there is a moral idiocy, that may co-exist with full mental power (p. 22). Is this not the most dangerous kind? A wolf with the intelligence of a man would be terrible, indeed. Such is the habitual criminal, born with no moral sense. To kill the child, who has become a public charge and is found to be of this description, is a mercy to him and to the world (p. 58). The same is true if he be feeble-minded. Educate him as best you can, and hardly more than one in ten can ever support himself (p. 131).

Dr. McKim evidently leans toward the theory of Weismann that "death is but an adaptation, a habit acquired by all organisms but

the very lowest, for the better adjustment of the species to the environment, whereby higher types might evolve and secure continuance" (p. 204), while "the lowest of animals, the protozoa, are potentially immortal" (p. 4). If man has then learned to die for the good of man, it is but a short step to the position that particular men may be made to die for the good of all.

This remedy, in principle, appears applicable in the case of any who are useless members of society or are in a condition favorable to the propagation of such as would be. The author frankly admits this (p. 246). To send an executioner into every household, however, would be too unpopular a measure to begin with (p. 247). He is content to limit his services at present to the inmates of our public institutions (p. 189), and he points out that it is full time to begin, for one out of every seven hundred and fifty-five of the total population of the United States is now in jail, while fifty years ago they held (if we are to trust to the somewhat apocryphal census of 1850) only one out of every 3,422 (p. xxx, 176).

Such books as this serve a useful purpose. They start thought in new directions, or rather they give public voice to thoughts that have been kept for esoteric uses. Dr. McKim has thrown out something to float into the twentieth century, which may seem less strange in its closing than in its opening years.

SIMEON E. BALDWIN.

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The Distribution of Income. By William Smart, M.A., Phil.D., LL.D., Adam Smith Professor of Political Economy in the University of Glasgow. London and New York, MacMillan, 1899. 8vo, xv, 341 pp.

This book will be of great interest both to economists and business men. The author himself belongs to each of these two classes, having, as he says, served a "considerable apprenticeship to practical business life" as a large employer of labor, before he accepted the Adam Smith Professorship of Political Economy at Glasgow. The author's business experience accounts for the general tone of the book and for its point of view, which is that of the capitalist-employer. The difficulties and risks of the *entrepreneur's* position and the unjust criticism to which he is subjected by the workman are vividly set forth. Less is said about the misunderstandings on the other side. A great deal of attention is devoted to the factory system, which is taken as the type of industrial organiza-

tion. The closing chapters, however, are devoted to the study of professional income and form perhaps the earliest attempt to discuss the special causes which regulate the charges of physicians and lawyers. He notes the peculiarity that professional fees are graduated according to the ability of patients or clients to pay.

The volume is divided into two parts; the first, Book I., is devoted to the analysis of income, the second, Book II., to distribution. Though there is little in either which is strikingly new or original, the work abounds with sound and temperate observations and well-chosen illustrations such as only a practical business man finds readily at his command. In Book I the relation of money income to real income is discussed. Real income is expressed as the sum of services of goods and persons. The total stock of goods is capital. These ideas of income and capital are consonant with modern writing on the subject. The author could have rendered his summation of services clearer if he had explicitly included dis-services, or negative services, as repairs and replacements.

In the second part the chief attention is devoted to wages. The competition of employers tends to level up wages, though the effort of the individual employer is to keep them down. The author defends this effort as simply one case of keeping down cost. Cost may be kept down by substituting one factor of production for another: machinery for laborers, laborers for machinery, or one sort of laborers for another. Often the employer substitutes unskilled labor for skilled labor, and the displaced workmen think that he has reduced wages, when in reality his action tends to raise wages, except for a limited class. The action of the trade union in effecting a greater solidarity among workmen is thoroughly discussed, the Webbs' book on Industrial Democracy being used as a basis. Little is said about the corresponding combinations among employers, nor is much attention given to the various devices for harmonizing the immediate interests of workman and employer through profit sharing, etc.

The older theories of wages are discarded after a more or less searching examination. Wages are regarded by the author as simply a share of the aggregate income, the amount of this share being determined by the relative supply and demand of the various claimants to that income. New machinery, methods of production and industrial organization, by shifting the demand for labor and by altering the total income or national dividend, will have a varying

resultant effect upon the laborers' share. Some sensible observations are made on the prejudice against rich men's children entering the labor market in competition with poorer rivals. It is pointed out that as long as this action increases the national dividend, some one must enjoy this increase, though its enjoyment may or may not be shared by the other laborers. These laborers must always be regarded as consumers as well as workers, and anything which makes their subsistence more plentiful tends *prima facie* towards their benefit. The author is conservative in treating the labor problem and distrustful of all grand schemes for a radical improvement in the laborer's lot. One curious effect of trade unionism is noted; the establishment of a standard rate tends to eliminate not only the incompetent workmen, but the superannuated, for the employer who is obliged to pay the same price for all labor in a specified union, will naturally reject the less efficient laborer.

Dr. Smart suggests that the tendency of machinery is to reduce the necessary skill of the laborer; as machines become more automatic, the laborer becomes simply a tender. Some fear is expressed that during the transition to more perfect machinery, there will be an over-supply of labor with consequent low wages and distress.

Although the author nominally refuses to discuss the ethics of distribution, he cannot altogether escape the fascination of that problem. He concludes on the whole that the existing distribution is roughly according to merit, and that at any rate it is "not an arbitrary distribution," left to the caprice of the employer. He says little, however, of inheritance. This is a most important factor of distribution, if by distribution we mean the apportionment of income among human beings. The truth is that two distinct problems are confusedly included under "distribution," not only by Dr. Smart, but by almost every writer on the subject. Distribution among persons is not the same thing as distribution among the factors of production; the former is the great problem of the rich and the poor; the latter is the problem of interest, rent and earnings. To connect the two we must discover the distribution of the factors of production among persons, and to this end must study the causes which determine the bequest, accumulation and dissipation of fortunes. The confusion arose because the early writers conceived society to be divided into the mutually exclusive groups of laborers, landlords, capitalists and employers, and believed that they had solved the problem of distribution when they had shown the causes which determined wages, rent, interest and profits; but

the four classes, thus arbitrarily separated, do, in the actual world, overlap and are constantly changing. The same person is often land-owner, capitalist and employer; even wage-earners are often small capitalists. To understand the personal distribution of income we must study, first and chiefly, the personal distribution of capital.

L. F.

Le crime; causes et remèdes. Par Cesare Lombroso. Avec un appendice sur les progrès de l'anthropologie criminelle pendant les années, 1895-98. Paris: Librairie G. Reinwald, Schleicher Frères, éditeurs, 1899—8vo, pp. vii, 583.

The Criminal; his Personnel and Environment. A Scientific Study. By August Drähms. With an Introduction by Cesare Lombroso. New York: The Macmillan Company, 1900—12mo, pp. xiv, 389.

These two volumes are a fresh token of the enthusiasm, the industry and the fecundity of the "school of criminal anthropologists." The former, written by the leader of this fervent group, and incorporated in Professor Hamon's *Bibliothèque internationale des sciences sociologiques*, will be welcomed as the latest and fullest statement of the Turin professor's views; while the latter, by the chaplain of the San Quentin prison, in California, is vouched for by Lombroso himself in his Introduction as being substantially orthodox, as well as lucid in exposition and profound and original in thought.

The first of these works is dedicated to Max Nordau, and is addressed especially to those who accuse the "criminal anthropologists" ("my school," as Lombroso calls them) of having ignored the economic and social causes of crime while over-emphasizing its biological and physiological aspects, and of having proposed no practical remedy for it. Lombroso insists that it is precisely he and his disciples who have not merely suggested but actually initiated new and more effective tactics in dealing with crime, based on a study of its etiology, and directed specially towards its prevention. In the first part of the volume, he deals with the causes of crime, meteorological, geological, orographical, racial, and such as are connected with civilization itself; with density and movements of population; with urban and rural conditions; with wages and price of food-stuffs; with the alcoholic, tobacco and morphine habits; and with illiteracy, religion, age, sex, occupation, etc. These chapters contain a multitude of facts, more or less thoroughly authenti-

cated, many of them cited from such works as those of Garofalo, Marro, Sighele, Ferri, Listz and Joly, and therefore already familiar to those who have followed discussions in this field; the net result being the persuasion in the mind of the judicious reader, that there is a considerable element of truth here, but that the truth has not yet freed itself from the exaggerated, the contradictory, and the fantastic. In the second part of the work, Lombroso deals with the prevention and treatment of crime, recommending various "penal substitutes"—a happy phrase of Ferri's—economic, political, scientific, legislative, religious and educational. The third part contains, among many other matters, a discussion of atavism and of penal philosophy. An appendix gives an interesting account of the progress made in criminal anthropology during the years 1895-98.

Mr. Drähms writes only partially in the sense and spirit of the "positive school," despite Lombroso's commendation of his work. Familiarity with the literature of the subject, experience as a prison chaplain, first-hand investigation of certain specific problems, and a competent and judicial mind, have fitted him to write a book of independent and distinct value. We have noticed, however, more typographical and other slight errors, and more awkward terms and phrases, than any book ought to have; and we wonder why such works as Pike's "History of Crime in England," Stephen's "History of the Criminal Law of England," and Winter's "Elmira Reformatory"—not to mention many others—were omitted from the appended bibliography. Both authors denounce our present methods of dealing with criminals. Lombroso calls the prison, "*le pire de tous les remèdes, si tant est qu'on puisse l'appeler remède et non poison;*" and Drähms says that "the prison from every point of view is the chief ostensible promoter of every ill it essays to cure, and offers the main incentive to crime . . . it is safe to say, it succeeds in turning out more direct results in the shape of confirmed criminals . . . than any other accredited agency within the range of experience or devised by the folly of man, resting in the consent of the masses."

W. F. B.

The History of Edward the Third (1327-77). By James Mackinnon, Ph.D. London: Longmans, Green & Co., 1900—pp. viii+625. 8vo.

Dr. Mackinnon tells us in his preface that he has written "an independent contribution to the history of Edward III." But Edward's history is practically that of western Europe for half a

century. "This work is, therefore, more than a biography; it is a history of an important and dramatic epoch," and while the author has shunned "no labour to obtain original information" he has also "striven to reproduce it in a style in keeping with the dramatic character of the subject. But his "work is by no means an apology for its hero, as is the case with so many biographies"; based on "contemporary evidence," it is an attempt to represent Edward as "others saw him."

The book, however, is one of no more than ordinary merit. In the first place, despite his definition of "contemporary evidence," the author has given too much weight to the chronicles and too little to official documents and in his ambition to write an "original" treatise he has shunned to his own hurt the results of modern scholarship. The *Chronographia Regum Francorum* may have been neglected on the ground that it is not "contemporary evidence," but this cannot be said of Barbour's *Brus*, Jan de Klerk's *Van den Derden Edeemaert*,¹ or *Récits d'un Bourgeois de Valenciennes*. The *Rolls of Parliament* and *Rotuli Scotiae* could have been used to greater advantage and there is no reference to the *Parliamentary Writs*, or the various *Year Books* and *Calendars* in the *Rolls Series*. We look in vain for such modern titles as Gasquet's *The Great Pestilence*, Ashley's *James and Philip van Artevelde* and Dr. Mackinnon is evidently unacquainted with the studies of Cunningham, Monod and Viollet. He has, therefore, produced a life of Edward similar to one of some modern character compiled mainly from the newspapers. Such a biography would undoubtedly represent its hero as "others saw him," but would it meet the demands of the thoughtful reader?

It is then as a narrative history rather than as a critical study that the book must rest its claim. But even here it is often grievously at fault. For example, the uprising in favor of Isabella (pp. 7-12) was not, in the minds of the majority, directed so much against Edward as against his favorites.² The account of Philip's "arbitrarily applying the Salic Law" (p. 37) is entirely incorrect.³ Edward's claims, as put forward (p. 38), in no way conflicted with those of Charles of Evreux.⁴

¹ Translated into French by O. Delepiere.

² *Apel. Ad Orl., Parl. Writs*, ii, Div. ii, p. 354.

³ Monod, Art. in *Rev. Crit. d' Hist. et de Litt.* 1892.

⁴ *Nang.*, ii, 83-4.

A second reason for the author's failure lies in the fact that he is too intensely modern to appreciate the spirit of the times he is trying to portray. To him "a fool of a world is this misguided fourteenth century. Clearly lunatic . . . Heigho! what a perverted moral sense" (pp. 290-91) characterizes the clergy of the day and the warrior knight can be compared only to a "sporting athlete" (p. 214).

In his attempt at a "dramatic" style, Dr. Mackinnon informs us (p. 1) that "a more complete ninny than Edward II. has seldom occupied a throne." One is tempted to believe that he is reading comedy not tragedy, as royal messengers are continually "trotting" about or papal emissaries appear "jogging between the bellicerents" (p. 461). The pope is a "political scarecrow" (p. 148). "'Done for Scotland this time!'¹ (p. 70) was the ejaculation on the lips of Englishmen" over a victory where a "toss-up" (p. 57) determined the sides which the contestants should take.

One note pervades the whole book—"the martial and imperious Edward III." (p. 2), "the Napoleon" (p. 35), or better the "Louis XIV" (p. 607) of the fourteenth century, whose reign is "one long story of war and aggression." Edward "as a warrior king" not only "dazzled the world of his day" (p. 608), but he has also blinded the eyes of his biographer to his other achievements.

That part of the book which deals with Scotch affairs is the best and most original. Edward, however, might have been given the credit of having a sincere *belief* in his right to the overlordship of Scotland. Dr. Mackinnon might have made out a stronger case against his *methods* by a closer study of authorities. In the *Rolls of Parliament* we find no mention of a March parliament for 1333 (p. 64), and the one that did meet in January² was not at all enthusiastic over Edward's plans. The author overestimates the "consuming fire" of Scotch patriotism and so misjudges the actors in the events he describes.³

In regard to French affairs, the book is extremely unsatisfactory. The events during Isabella's supremacy are inadequately treated; and there is no good reason for attributing to Edward the same motives which actuated his mother; for passing over so lightly his maiden proclamation (p. 35); or for failing to recognize in his hom-

¹ This seems to be a "dramatic" translation of Murim., p. 68: *Et sic dicebatur publice quod guerra in Scocia fuit finaliter finita et terminata.*

² *Rolls of Parl.*, ii, 69, No. 7.

³ Compare Burton, *Hist. of Scotland*, ii, 306, 316.

age (p. 44) an evidence of his sincerity. Though the Hundred Years War was a "black record of international strife" (p. 39), Edward was not at the beginning at least the aggressor. As early as 1333,¹ Philip had begun to meddle in Scotch affairs and Dr. Mackinnon admits the "potency of the Franco-Scottish alliance" (p. 79). In view of the fact that Edward did not declare war until the French had invaded Guienne² it is difficult to see how it was the English king who "threw down the gauntlet (p. 93) . . . in his ambitious project of adding a third crown to those of England and Scotland" (p. 101).

The author is of course tripped up by Edward's claim to the French throne. But it is important to note that the first intimation of this claim in any official document comes in his foreign negotiations.³ Edward was seeking aid among those who for various reasons were nursing grievances against Philip. The assumption of this title might, therefore, prove efficacious in bringing the desired alliances. This is strikingly illustrated in the case of Flanders. There is strong presumption then that it was primarily a war measure. This view is strengthened by its absence, in spite of Artois' importunities, in Edward's proclamation to the English people, and by the renunciation of it in the Treaty of Bretigny in return for full sovereignty in Guienne. This suggests another side to the Hundred Years War (the commercial) which has escaped Dr. Mackinnon but which is admirably brought out by Cunningham.⁴

"The exaggerated reverence for royal prerogative" and Edward's inability to tolerate "rebellion against royal authority" (p. 490) must be expected from a fourteenth century king, and the author's inability to see this is another instance of his lack of sympathetic appreciation of the task before him.

The absence of an index and of an alphabetical list of authorities can hardly be condoned in these days of good book making. In short the need which so impressed Dr. Mackinnon with the idea that "the history of Edward III. required to be written" has hardly been met by the appearance of his book.

WALTER IRENAEUS LOWE.

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¹ *Foed.*, II, 860.

² *Foed.*, II, 989.

³ *Foed.*, II, 991, 1001.

⁴ Art. in *Publs. of Roy. Hist. Soc.* 1889.

Chicago Conference on Trusts: Speeches, Debates, Resolutions, List of the Delegates, Committees, etc. Held September 13th, 14th, 15th, 16th, 1899. Chicago: The Civic Federation of Chicago, 1900.

The Chicago Conference on Trusts was a notable gathering in at least two particulars; first, in the width of the interests represented, and second, in the somewhat remarkable unanimity of opinion upon some of the principal points at issue. The conference was called "for the purpose of eliciting the fullest possible discussion of such subjects from all standpoints." To this end the Civic Federation invited the governors of the various States and the leading commercial, industrial and labor organizations, the colleges and the universities, to send delegates. During the four days' conference, nearly one hundred speakers were heard, each phase of the subject, so far as possible, being represented by its ablest advocates. The speakers represented the several interests in the following proportions: men representing public life, seventeen; economists and statisticians, sixteen; business men, fifteen; lawyers, twelve; representatives of labor, eight; representatives of the agricultural interests, five; editors, four; socialists, two; and representatives of the Protective Tariff League, the New England Free Trade League, the Anti-Trust League, the Single Tax League, the New York Reform Club, the Western Industrial League, and Anarchism, one each.

If one wishes to know what the politician, the business man, the economist, the lawyer, the labor leader, the farmer or the representatives of any of the lesser organizations, think of the trust and its effect on the economic, social or political life of the nation, he will find in this report an "open sesame."

One would expect to find in the addresses of men representing interests so varied, little that is common either in regard to the nature of trusts or the specific remedies demanded at this juncture in their development. Such in general is the fact. Still, as the discussion proceeded, it was apparent "that all shades of opinion had much ground in common." Upon one point the speakers were all but a unit—viz: that all artificial aids to the trust, such as railway discriminations, special privileges, tariff favors, etc., must be abolished. Closely connected with this demand was the predominating sentiment that competition is to be the controlling factor in the future as it has been in the past, and consequently that the most hopeful and fertile field for legislation will be found in maintaining a "fair field and no favors" in the industrial world.

One of the most hopeful features connected with the gathering was the essentially conservative position taken by the representatives of organized labor. The deep undercurrent of the convention cannot be better expressed than in the closing words of the address of Henry White, Secretary of the United Garment Workers of America, who said, "The mere fact alone of such a gathering as this shows that the age of reason is dawning, and when men reason everything is possible."

MAURICE H. ROBINSON.

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Select Charters and other Documents illustrative of American History, 1600-1775, edited with notes by William MacDonald, Professor of History and Political Science in Bowdoin College. New York: The Macmillan Co., 1899—12mo, ix, 401 pp.

In this volume are brought together eighty documents on American history prior to the Revolution: each one of these is introduced by a brief explanatory note, and a short but select bibliography. The selections, while by no means limited to charters, for the "other documents" occupy at least half the space, have been made with reference to the legal and constitutional rather than the political, religious, social, or economic sides of our colonial history. Within the limits of its field the selections are comprehensive, and include the most important documents in the stock material of this period. The book is well adapted to class-room use, for which it is primarily designed. It is a companion volume to the author's *Select Documents, 1776-1861*.

Although no topical arrangement of the documents is made, their order being strictly chronological, they fall naturally though not sharply into two groups. The first group begins with the first charter of Virginia, which is followed by the subsequent charters for this, and charters, grants, and patents for the other colonies, and by such documents as the Mayflower Compact, the Ordinance for Virginia, the Fundamental Orders of Connecticut, the Massachusetts Body of Liberties, etc. A fairly complete collection is thus brought together for a comparative study and a constructive account of the beginnings of colonial organization and government.

The second group is of necessity less satisfactory, for the field which it covers is a larger one, and individual judgment must have fuller play in the selection of material. This group, beginning with the Navigation Acts, as expressions of England's commercial policy, and to which at least the creation of the Board of Trade

might well have been added, includes those measures taken on both sides of the Atlantic which led, on paper, to the Revolutionary War—the Molasses Act, Writ of Assistance, the Sugar, Stamp, Quartering, Declaratory, and Revenue Acts, the act establishing Customs Commissioners, etc., on the one side, and the retaliatory measures, resolutions, and declarations on the other. In view of our traditional interpretation of these measures, fuller editing would have been welcome. History may be as completely (and much more convincingly) misrepresented by an ill-balanced selection of documents as by a partisan narrative. Sins of commission cannot be charged against the present volume, but it may be questioned if it reveals any real interchange of services between the colonies and the mother country, that the colonists ever acquiesced even in theory in the policy represented by England's commercial legislation, or that they to any degree benefited by it. The relationship of dependencies to the mother country could be more clearly indicated in connection with Nos. 45, 47, 51, 54; (extracts from the treaties of Ryswick, Utrecht, Aix-la-Chapelle, and Paris) and especially under the last would be the appropriate place to point out the benefit to the colonies of the expulsion of the French from Canada, and the results this made possible in their future policy toward England. Economic documents are needed to really interpret this period, and in a collection like this their place must be supplied by the editor's notes. In fairness it must be said, however, that the bibliographies, if followed, will lead to much supplementary material.

Attempts at colonial federation previous to the Stamp Act Congress are represented only by the New England Confederation and the Albany Plan of Union. There is no material to illustrate the inception or operation of the committee systems, which not only served an important part in working up and conducting the Revolution, but proved the capacity of the people for developing a new type of self-government, and gave them experience in it. In brief it may be said that the excellent reasons for publishing such a collection of documents would have amply justified Professor MacDonald in including a few more selections in it.

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RECENT LITERATURE.

Professor Alfred H. Lloyd's "Philosophy of History" (Ann Arbor, 1899), embodies a course of lectures now printed for the use of students. The author follows what he terms the "intensive method." "Determine what time is, what an event in time is, what causation and individuality and progress are, and what society is, and universal history is bound to stand before you." The book abounds in philosophical exercises: what little history there is in it is bad. Any person who respects the laborious investigations by which the facts of history have been ascertained must be shocked at the light way in which these facts are shuffled here to fit a system, and must wonder what the use of such a system can be.

In his *La Grèce Antique, Entretiens sur les Origines et les Croyances* (Paris, Schleicher Frères), Professor André Lefèvre tries to fix the origins and characters of the various Greek gods, and their relations with the divinities of the ancient empires of the East. He follows Müller to some extent in his atmospheric and solar explanations of myths and finds a number of intricate philosophical relationships between the gods of India, Assyria, Egypt and Greece.

One must regret that the attention given to the sociological phenomena has been so scanty, for the few passages in which the author treats of customs, morals, etc., rather than of divine names and relationships makes us wish that he had followed this style of treatment to a greater extent. He believes, for instance, that the early Greeks no longer realized the significance of their funeral and sacrificial customs, that these had fallen into the unquestioned, stereotyped stage, or were being rationalized. The dog-monsters, etc., of the Homeric cult and cosmology take one back, he thinks, to the earliest days of domestication of animals.

The author takes a somewhat melancholy view of the culture and morals of the early times, but greatly admires the Hellenic life-philosophy of resignation and common sense.

The book is almost devoid of references, and is conversational and popular rather than strictly scientific, and abounds in spirited interpretations of striking scenes and passages, especially from the Iliad and Odyssey and from the Homeric Hymns.

Mr. E. J. Smith's, "The New Trades Combination Movement: its Principles, Methods, and Progress" (Rivingtons, London, 1890), consists of a series of articles originally published in

the *Economic Review*, together with an introduction by the Rev. J. Carter and a chapter on cost-taking by Mr. W. A. Addinsell, a chartered accountant of Birmingham. The New Trades Combination was originated by Mr. Smith as a cure for the ills of cut-throat competition. It was originally confined to the metal bedstead trade, in which Mr. Smith is interested, but has gradually spread and now includes several other important trades, such as the electrical fittings trade, the fender trade, etc. Mr. Smith states clearly the general principles of this form of combination and shows what in his opinion is its relation to the workingman and the consumer. The combination consists of a close union of the employers and the workingmen in a single trade for both defensive and offensive purposes. It provides for an elaborate system of administrative control supplemented by an appeal to arbitration in case of disagreement between the representatives of capital and labor. Mr. Smith's plan is primarily a rebellion against underselling and therefore provides for a systematic method of cost-taking, supplemented by an agreement that, save in exceptional cases, no goods shall be sold except at a fair profit. To quote Mr. Smith: "You have no right to cheat your customer or to ruin your competitor by selling goods at less than it costs to produce them." So far as the New Trades Combination movement induces manufacturers to give scientific attention to the cost of producing goods, its influence must be healthy. The real danger lies in the opportunity which a close combination of employers and workingmen in a trade opens to monopoly methods without any of the compensating benefits of concentrated management.

Professor Alberto Morelli of Padua has written an instructive chapter in the history of the Academic teaching of Political Science under the title of *La Prima Cattedra di Diritto Costituzionale*, a reprint from the *Archivio giuridico "Filippo Serafini,"* Modena, in which he aims to show that the first university chair of constitutional law was that established in Ferrara in 1797. Of the first professor, Compagnoni and of the course of instruction, he gives a careful account. In view of the extensive range of lectures on the Germanic constitution, general jurisprudence, etc., given at Goettingen by Pütter and others in the eighteenth century, of the establishment of the Vinerian professorship at Oxford which Blackstone occupied, and of Adam Smith's Lectures on Justice, Police, etc., one cannot but feel that Morelli should have inserted in his title *in Italia*. The significant thing is the teaching of the sub-

ject not the exact title of the chair. To provide for rational and historical teaching of Political Science was one of the main objects in the foundation of Goettingen University.

As the century draws to a close the impulse to pass its achievements in review and to measure its significance in the history of the modern world will be widely felt. To facilitate such a retrospect as well as to supply a serviceable manual is the purpose of Mr. Edmund H. Sears of Mary Institute, Washington University, St. Louis, in his "Outline of Political Growth in the Nineteenth Century" (New York: The Macmillan Co.). Some attention has been given to every country where there has been progress. Yet, at this juncture, one must question his judgment which included Liberia and left out China. Mr. Sears' narrative is fluent and dignified and his reflections appropriate if somewhat conventional. A most meritorious feature of the book is the classified bibliography, which is excellent in method and well selected in content. It indicates a rather unusual command of the field.

Dr. Max Klemme examines systematically the economic views of Hume (*Die Volkswirthschaftlichen Anschaungen David Hume's*. Jena: Gustav Fisher), and arrives at the conclusion that he should be accorded a position far superior to his predecessors and immediate contemporaries on account of his more nearly attaining a correct analysis of the phenomena of Political Economy and on account of his penetrating criticism of traditional views. To Adam Smith he rendered the double service of laying a solid foundation for his refutation of the Mercantilists and Physiocrats and of paving the way for a great advance in the science, both by his own contribution and by his indication of the lines by which progress could be made.

Two contributions of Karl Marx to the contemporary history of France a half century ago are now made more accessible by a translation into French (*La Lutte des Classes en France 1848-1850* and *Le LXVIII Brumaire de Louis Bonaparte*. Paris: Schleicher Frères, 1900). They are not mere narratives but rather the interpretation from Marx's economic standpoint of the real significance of the Revolution of 1848 and of the *Coup d'Etat*.

Dr. Samuel E. Dawson has contributed to "The Transactions of the Royal Historical Society of Canada," series of 1899-1900, a valuable study of the "Demarcation Lines of Alexander VI and of the Treaty of Tordesillas" (J. Hope & Sons, Ottawa). The explanation of the relation of the Bulls of May 3 and May 4

to each other and the discussion of the real location of the lines on the map especially deserve the attention of the student. His comment on the historical significance of the Papal Demarcation Line is rational and a wholesome criticism of the easy and unhistorical verdicts that have been so common.

In view of the discussion which is sure to arise over the place and influence of the missionaries in China, a clear and orderly account of modern Foreign Missions, their history, work, and administration is to be welcomed. Dr. Stephen L. Baldwin has met this want in his "Foreign Missions of the Protestant Churches" (New York: Eaton & Mains).

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COMMENT.

The Currency Act and the Gold Standard; The Anthracite Coal Strike.

THE past political campaign has brought into prominence the question whether the Currency Act of March, 1900, definitely establishes the United States upon a gold standard. This question may be answered affirmatively if the question is made to read: does the Act finally dispose of the free coinage of silver? The likelihood of the election of a Congress and a President who will agree upon the adoption of such a measure has become too remote to be seriously considered. The permanent interests of the majority of our people, as well the course of recent monetary legislation in other countries, make it practically impossible for the United States ever to join our neighbor, Mexico, in the narrow and narrowing circle of countries which open their mints to the free coinage of the white metal. If by the adoption of the gold standard is meant the discarding of silver as money, the question may be answered in the negative, and with still greater assurance. The recent law of the United States, like the various demonetization acts of other countries, provides ample room for the monetary use of silver, which will inevitably continue as long as the range of prices and wages calls for a bulkier metal than gold.

If, however, the adoption of the gold standard means the adoption of a monetary system which combines the free coinage of gold as an unlimited legal tender in the payment of debts with

Act of March, 1900, the policy has been further emphasized by securing the eventual retirement of all \$1, \$2, and \$5 greenbacks in favor of silver certificates, and by providing that nine-tenths of the latter shall be of denominations of \$10 and less. In a word, the government's policy, as it has developed since 1886, and has now become crystallized in legislation, looks to basing our smaller currency largely on silver. Coins and notes in denominations of \$10 and less now aggregate roughly half of the total currency aside from gold; of this sum more than 50 per cent. at present consists of silver coin and certificates, and in time this percentage must rise considerably. Of this sum, moreover, an insignificant part is subsidiary token currency, namely the fractional coins, a limited legal tender and redeemable in "lawful money." The great mass represents full legal tender dollars or promises to pay them and not gold. Our government then has evidently chosen a policy which puts it in line with that of the Latin Union and until recently, that of Germany in perpetuating the full legal tender coins of a past period, but in avoiding provisions for the redemption of that coin in gold; and in so far temporizing with the final settlement of the currency problem.

It is, however, not our purpose to question the advisability of that policy or suggest any other; but rather to examine some of the consequences of its adoption. One provision of the Act of March, 1900, is unqualifiedly good, the one calling for the cancellation of the Treasury Notes of 1890. During their ten years' existence, these notes have made no friends, and their exit will be welcomed by all. The banknotes and greenbacks are left to compete with each other and with gold and gold certificates in supplying the means for large payments. Banknotes are to be crowded out of the small denominations, though less rapidly and completely than the greenbacks, which are limited to denominations of \$10 and over, while the gold certificates will continue to circulate as now in denominations of \$20 and over. The continuance of this triangular competition among three forms of large denomination notes as a permanent feature of our currency is the weak point in the recent legislation. Banknote currency has not been equal to the competition with other forms of

currency since the laws of 1878 introduced the silver certificate and authorized the re-issue of redeemed greenbacks. The partial removal of the former as a competitor will not permanently open a wide field of usefulness for the national banknotes, however much we may relax the requirement of bond deposit and similar provisions. The relative growth in importance of bank deposits as compared with banknote issues must not blind us to the fact that the decline of the latter is chiefly due to their being crowded out by government note issues.

As between the gold certificate and the greenback of large denominations, the provisions of the Currency Act indicate that its framers feared that the former would tend to supplant the latter and would eventually be the only form of note used in the circulation or at least desired for making large payments. It is a question whether such a development should not be encouraged. But the Currency Act stands in the way with its provision to stop the issue of gold certificates when the gold in the Reserve Fund of the Treasury falls below one hundred millions, or when the greenbacks and silver certificates in the General Fund exceed sixty millions. In this particular the Currency Act is far from solving the currency problem. A succession of active business years may postpone the necessity of reopening the question. But difficulties will inevitably arise, until we have finally disposed of that question by cancelling the greenbacks, which, however, we seem unable to do except at times of abundant government revenue, when the necessity for the step is not apparent. Then will be the time to attack the further question whether a "limping double standard" is a desirable permanent currency arrangement. Germany has recently answered the question by taking steps to withdraw the Thalers from circulation and eventually substitute silver token coins for them.

The significance of the recent strike in the anthracite coal regions lies not in the fact that the miners have gained an advance of 10 per cent. in wages and secured the abolition of the sliding scale and some other causes of dissatisfaction. Our experience

with strikes in the past, as condensed in the elaborate investigations of the Department of Labor, shows that in periods of rising prices and commercial activity the chances are strongly in favor of people who strike for an advance. We are obviously living in such a period at the present day. The latest statistics of wages collected by the Department of Labor show that, if the average wages in 1891 be represented by one hundred, they would have been represented by 97.88 in 1895. From that point there has been a steady advance, the figures for the succeeding years being as follows:

1896.....	97.93
1897.....	98.96
1898.....	98.79
1899.....	101.54
1900.....	103.43

Under such favorable conditions, both of general wages and of general business, it is not surprising that sooner or later the miners should have gained a victory, especially when aided by the political pressure which the impending presidential election brought to their support.

The significant and gratifying feature of the contest is that it should have been conducted in such an orderly manner and with practically no violence. When we recall the Pittsburgh riots of 1877, with the destruction of property and life which they involved; when we recall the Homestead strike of 1892, with its pitched battle between Pinkerton detectives and strikers, the fear was natural that the outbreak of a strike involving 140,000 men, largely of foreign birth and of races which are not noted for their peaceful character, would lead to similar excesses. The outcome of the strike shows that the trades unions are making progress in our country, that organization is bringing with it, in spite of numerous lapses, a higher degree of responsibility and more skilled leadership. The outcome also indicates progress on the part of the operators, for any ill considered attempt on their part to refuse to consider the demands of the men, any obstinate insistence upon the right to do as they pleased with their own, might easily have provoked bloodshed, and added to the losses which any such cessation of labor involves.

Every such evidence of progress in self-restraint brings us nearer to the solution of the great question, "What is to be the future organization of society?" There are a good many people in our country who look forward to the introduction of some form of socialism in order to do away with the constantly recurring strife between labor and capital, and with the irregularities and uncertainties of capitalistic production. In Germany the number is much larger, and the Socialist party already boasts of the largest constituency of any single political party in the empire. Yet there is much evidence for the belief that socialism of the orthodox type has already seen its best days. This belief is confirmed by a suggestive brochure recently issued by Prof. Sombart, of Breslau, under the title "*Dennoch.*" The author is one of the ablest of the younger German economists, and is probably as well acquainted with the history of socialistic thought as any man in the country. In this publication, in which he reviews the history of trades unionism in England and in Germany, he reaches the conclusion that the German unions are gradually coming to occupy the position which the English unions have had for many years, and that they are in reality the greatest obstacles to socialism. The industrial organization of the future, according to him, will neither be capitalism, pure and simple, nor yet socialism. There will be an extension of coöperative production and of public industries, but we shall still look for progress, especially in developing new countries, to the enterprise of capitalists. The prevalence of the "*Weltpolitik*" which is so typical of modern times will confine purely socialistic enterprises to a narrow field. But hand in hand with improvements in the processes of production will go an improvement in the condition of the working classes, aided by social legislation and by strong organizations. The best test of the strength of any labor organization is its ability to hold in check its own members.

THE ALLEGED FAILURE OF DEMOCRACY.

A N experience common to all progressive social movements has begun to show itself in connection with democratic institutions—the feeling that actual results are less decisive and complete than those which we had a right to anticipate. A forward movement owes its impulse largely to the relatively excessive importance attached to it; and when the discovery is made that much more remains to be done, that the things involved in progress are innumerable and constantly on the increase, and that what has been accomplished may even prove mischievous unless it is at once supported by its proper accessories, the feeling of disappointment becomes acute and inclines many minds to retreat to an earlier position. This breadth and this complexity of consequences involved in progress, this necessity for further effort, are nowhere more conspicuous than in connection with democratic institutions; and these institutions, therefore, least of all promise an immediate millennium. The friends of a free government are not prepared for this discovery, and the enemies of a free government rejoice in it as a confirmation of previous belief. The results of free institutions in our country and elsewhere for the last thirty years have given occasion quite widely for this double sense of failure and of mistake.

It has recently gained expression in two works especially worthy of attention, "Democracy and Liberty," by W. E. H. Lecky, and "First Principles in Politics," by W. S. Lilly. The first is written from a practical standpoint and is the fruit of wide observation; the second is an attack on the theory of democracy as in itself irrational. Lecky dwells chiefly on the evils that have appeared in connection with democracy and to which it is from its very nature exposed. These strictures are, for the most part, just, and serve the needful purpose of admonition. They are depressing chiefly by their painful accumulation, by the few compensatory considerations offered, and by a somewhat insufficient recognition of the inevitable difficulties which attend on the formation of adequate civic institutions. A por-

tion of these evils are also misconceived and exaggerated. The experience of our own nation is frequently adduced as giving force to disparagement, since democratic institutions with us have had the longest and least interrupted development, have made the most pronounced claims of superiority, and have attracted universal and hopeful attention.

The chief of these unfavorable developments enumerated are the decay of family life, the increase of crime, financial dishonesty, political corruption and municipal misgovernment. Some of these should be greatly softened, and the causes of others of them need to be more carefully pointed out in their bearings on the democratic principle.

Another series of difficulties, less fundamental but somewhat more directly and obviously associated with democracy, is the tyranny of the lower classes, their excessive wish to regulate social relations, attacks on property, the disconnection between those who expend public money and those who provide it, the increase of indebtedness in the state, and the spoils system. To adequately qualify these considerations taken singly and to point out their real significance call not only for the extended discussion which Mr. Lecky has given the several topics, but also for a widely sympathetic and thoroughly judicial mind. This Mr. Lecky does not always possess. When he says that "on the whole the strong leaning of our present system (of taxation) in favoring the poor cannot be reasonably questioned," and goes on to affirm that while public funds come chiefly from the rich they are principally expended in the interest of the poor, he directly reverses the facts. This reversal is more apparent in the United States than it is in England, but it is obvious in both countries. Our excises on tobacco and liquors are a chief source of revenue and fall heavily on the poor. Our duties on consumption are open to the same objection. Our direct taxes fall chiefly on real estate, while personal property held by the rich largely escapes.

On the other hand, the expenditures of government, with the single exception of education, are chiefly in the service of wealth—the more the wealth, the larger the use and the enjoyment associated with these outlays. Our courts, post office, high-

ways, facilities of commerce, are advantages offered to those who have resources, and offered in the measure of these resources. The same is true measurably in education when education extends, as it does in some of our States, through all grades of instruction. The cost of the primary instruction given to the poor is slight in itself, and very slight in comparison with that which attends on higher education.

Mr. Lilly is extreme in his feelings and in his conclusions. The democracy of the United States is a false democracy, and so also was the reform act of 1832 in England. They are both based on "political atomism," the substitution of numbers for ideas. What Mr. Lilly regards as the very substance of democracy, Mr. Lecky glances at as a possible evil. "The voice of the people as expressed at the polls is to many politicians the sum of all wisdom, the supreme test of truth or falsehood."

We should accomplish but little in trying to catch this cloud of arrows, to meet one by one these innumerable accusations. We assign ourselves perhaps the easier, certainly the more important, task of trying to regain the judicial attitude in reference to them all, and of restoring to the mind once more the fundamental principles which must ultimately bring order out of confusion, conviction out of doubt.

To the unavoidable, and yet very inadequate, division of civil governments into monarchical, aristocratic, and democratic is due a portion of the obscurity of thought so common on this subject. This division pertains to the form rather than to the very spirit and substance of civic union; and even as a classification of forms lacks sharp outline. The most absolute monarchy may pass by slight transitions into the most complete democracy, while the gradations between tyranny and liberty may not correspond, indeed are not likely to correspond, to these formal differences. While England retains a monarch, scarcely any democratic government has taken the arbitrary element out of the executive branch to the same degree as the English constitution. Our President has incomparably more personal initiative. Governments are too complex and composite, their character depends too much on the spirit in which they are administered, to make this division instructive.

Three elements, in ever changing proportions, enter into all civic institutions: personal power, class power, and popular power. In the degree in which one or other of these three elements prevail, no matter what may be the forms under which the predominating influence is secured, is the government monarchical, aristocratic or democratic in its character. No government has excluded, or can exclude, for any length of time any one of them. The constitution of England is democratic because, in connection with its monarchical and aristocratic forms, popular power finds chief expression in it. Our own government, in the influence it concedes to individuals, especially to the President, gives free expression to the personal element; and in the stability of the judiciary, in the construction of the Senate, and in protection, it concedes something to the class element.

These three elements together form the community. No government can aim wisely to exclude any one of them; nor, as a matter of fact, does any government often attempt this exclusion otherwise than as one or the other element has gained an extreme, or an artificial, expression. Popular government means not the control of a class, even though that class be the most numerous, but the control of the people collectively. The domination of a class by virtue simply of numerical superiority is not very different from, and certainly not better than, the domination of a more restricted class by virtue of power already in possession. In each case the class must show reason in the common welfare for the fact, the extent and the manner of its rule. Each of the three forms of government is faulty in the degree in which it forcibly excludes the opposed elements; each is acceptable in the measure in which it combines them all, under the existing conditions of society, in securing the public welfare.

If we insist on making democracy mean the government of the lower classes by virtue of numerical superiority, then we should make monarchy and aristocracy mean respectively the government of one man or one class of men without reference to the common need by virtue of the power that has in some way fallen to them. Thus government throughout becomes a simple statement of force, divorced from the general prosperity. It does not belong to democracy to assert an inherent right in a majority,

as a majority, to rule, any more than it does to an aristocracy, or to any group of men when acting together. The method of majorities is not so much civic justice, as the only means of movement available when consultation and principle fail us. Thus Lecky justly draws attention in the passage already quoted to the fact that politicians surreptitiously exalt this device to the dignity of a doctrine.

Every government should be primarily considered in reference to its fitness to meet the public welfare; and secondarily in reference to the kind and degree of abuse to which it is liable. Each form of government has possibilities of good and possibilities of evil, and it is in the balance between them that its fitness or want of fitness under given circumstances is to be found. "Political atomism" is not a characteristic of democracy, is not an essential portion of its theory, any more than a neglect of the masses is a part of the theory of aristocracy. A popular government is in theory the direct opposite of atomism. It is the assertion of the collective right to order the collective welfare. Popular freedom is not confined to one class, even though that class is the most numerous. What the common welfare demands, that each government ostensibly proposes; and its temptations and diversions are to be brought against it, not as constituent parts of its theory, but as its liabilities of failure. "Vox populi, vox Dei!" does not mean that the voice of a majority is the voice of God, but that the united harmonized cry of all men is the true expression of human wants.

The question, therefore, between a less and a more democratic government is whether the former or the latter is most liable to substitute, in a mischievous way, a part for the whole. Both are liable to this failure. The degree and danger of this liability vary with the circumstances. It may well be urged that the masses are far more mindful of their dependence on the higher classes than are the higher classes of their dependence on the masses and their responsibility to them. The head is more likely to say to the foot, I have no need of you, than the foot to the head, I have no need of you. Not only the inner force of events, but the wont of the world lies in this direction. The working classes are slow to break away from their employers,

and rarely do so till forced by obvious neglect and tyranny. On the other hand, it is the primal temptation of those in power and familiar with power to use it in their own behalf. If power must be entrusted to a single class, it is better that it should be placed in the hands of the most intelligent class, but where is the necessity of this single irresponsible despot. There are few employers who cannot be advantageously reminded of their responsibility to their workmen, and few who will not be more cognizant of their responsibility if the neglect of it is immediately accompanied with definite and adequate resistance. The common welfare demands a wide outlook over all interests, consultation, and urgent sense of dangers, and these can only be present in full force when the entire ground is covered, when the personal claims involved gain a truly popular expression.

As a matter of fact the instances are rare and of brief duration in which the voice "political atomism," a government by a majority made up of a single class, has prevailed. For the most part the failures of democracy are not directly chargeable on the masses, but upon all classes alike.

Reconstruction in the South gives, in its earlier history, an isolated example of government by an ignorant majority, but it arose out of transient and peculiar circumstances in which the natural dependencies of society had been broken up and could not at once be reformed. Moreover, it was the antithesis to a government of a favored minority, which had held the majority in slavery.

Difficult as is the Southern problem to-day, it owes its difficulty not more to the ignorance and brutality of the negro than to the instinctive aversion and tyranny of the white man. If bearable economic and social relations can be established between the two races, the political relations will suit themselves to them. The danger of tyranny is double, from above downward and from below upward, but the experience of the world seems to affirm that the first danger is far more urgent and prevalent than the second. Indeed to many writers the higher form of tyranny is regarded as natural, almost desirable, and the second only as thoroughly detestable. As a matter of fact, however, ~~most of the wrong done to the few by the many springs from~~ ~~it wrong to the many from the few.~~

The most marked failure in good government urged against the United States is the corruption in our cities. This admits of much extenuation when we consider the motley character of our population. It has arisen chiefly in the last thirty years, and thirty years are a brief period in which to get the measurement of a serious civic failure, to discover and apply its remedies. This is not our present consideration, but this rather, that the evil itself is not more attributable to the masses than to the classes, is not more democratic than aristocratic.

The legislation of the country has been for a long period controlled by a comparatively limited number of persons seeking protection, privileges, franchises, more or less at the expense of the public welfare. These favored corporations now feel the need of a constant bribe to those in power as a condition of sustaining the existing status. They furnish the corruption funds which give the politician the power to carry out his purposes. This is not chargeable on democracy, as democracy. The most to be said is that democracy has not yet learned how to correct it. It would certainly be no remedy to put political power wholly in the hands of those who have thus succeeded in indirectly securing and perverting it. It is the class element more than the popular element that has wrought the mischief.

A second concurrent cause which has no direct connection with democracy has been the theory of two political parties, which are to be followed with absolute fidelity and in whose strife for office the safety of the country is to be mysteriously involved. Democracy is not responsible for this theory. It is rather a softened form of the factions incident to aristocratic rule, and a travesty of that true democracy which brings freely forward the wants of the people, gives them open discussion and adequate treatment. Party politics as pursued by us is simply a device of the few by which the rights of the many are stolen. Here again the remedy is not to be found in giving to the few an undisputed claim to the political functions which have been usurped by them. Eternal vigilance is the price of liberty; but is liberty the less valuable because of its price? What we need are issues not factions, and it is the normal function of free government to give us issues—a function, however, which it takes time to understand and skill to develop.

Democracy, an increase in power of the popular element, is an inevitable accompaniment of the growth of civilization. Civilization means larger resources more widely diffused; the intelligence and interested attention incident to this accumulation of wealth. The community becomes more thoroughly integrated, class with class, interest with interest, and, therefore, more disposed to demand and more able to exercise ample and common control. The movement toward civilization and the movement toward popular government are an increasing coincidence of the social and civic center of society with its physical center—the accumulation and diffusion of life.

Those who think that the personal and the class element must retain their predominance have what we cannot but regard as a false ideal of civilization. They judge it by the prosperities and enjoyments of the few, and not by the aggregate of welfare made up by the entire community. They do not quite believe in universal welfare, and think that what goes by that name has drawbacks that are fatal to its superiority. It is relative good rather than absolute good that attracts the eye: the diffusion of good is believed in some way to vulgarize it and reduce its quality. The earlier stages of prosperity, like the earlier stages of building, have their evils, and these evils are assigned a permanence and force which render collective social growth impossible. Free government is both a product and an instrument of social growth, and those who believe that social growth will ultimately justify itself in all the concomitants of culture can have no fears of the inchoate, initiative steps.

It is strange that any humane mind should fail to see the growth in human welfare which has accompanied the growth in free institutions in England during the present century; or should find any compensation for these gains in the incidental evils that have attended on them or may still attend on them. Indeed, the educating power of free institutions, while it can hardly be enumerated among their direct purposes, constitutes no small part of their value. The greater interest and sympathy of the few with the many, the growing intelligence of the many, the putting forth by them, awkwardly it may be and at times mistakenly, of an effort to manage their own affairs, the establish-

ment of a wider social medium, are facts of the utmost significance. One may doubt whether in the world's history a social event of more moment has arisen than the steady growth during the present century in England of collective counsel and action among working-men, and the increased prosperity and social power which have accompanied it. The errors they have committed and the injuries they have inflicted on themselves and others are very trivial concomitants of so great a consummation. There is no grander fact in human history than the putting forth of new and self-sustaining life by any large body of men, and still more is this true when the class involved has been relatively inert—dead material to be carried by the living organism.

In the earlier portion of the nineteenth century, England was very completely in the hands of a single class, the landed class and those immediately associated with it, and certainly as a period it contrasts very unfavorably with the close of the century. The barbarous habits and brutal sports of the people, the bigotry and ignorance of the country parsons, the prevalence of crime and the savage punishment with which it was met, the game laws, the undisputed control of the landed gentry of local government, the corn laws, the degradation of the agricultural laborer, the suffering of the working classes in connection with the introduction of machinery, and still more the oppressive methods and unreasonable hours of labor that attended on its use, the social agitation and riotous unrest that preceded and accompanied the reform bill, made together a record in striking contrast with existing social facts in England, facts that have accompanied the development of democracy.

"The government of an enlightened and patriotic king might even to a liberal mind seem better than that of a popular assembly convened at irregular intervals, containing much ignorance and prejudice, sometimes largely composed of new and inexperienced members, uninstructed as yet by a political press, ill-informed about foreign affairs, apt to be carried away by sudden impulse or clamour, and deciding all questions by a majority apt to be factious without the safeguard of personal responsibility." ("The United Kingdom," Volume I, page 432.) This is the description of the House of Commons as it opened, under the

Stuarts, its long conflict with the authority of the King. Much of the description held good for two centuries. The failure of the Commonwealth and the Protectorate was due to a hopelessly divided, bigoted and exacting temper. Two hundred years of power in the hands of the upper classes did not suffice to secure a united, humane and reasonable government in England. If there is any truth in the affirmation, "by their fruits ye shall know them," the growth of popular as opposed to class power stands justified in the history of the present century.

Education as a remedy for the evils of free government receives some criticisms from Lecky, and is passionately rejected by Lilly. "Of all the manifestations of human folly, the glorification of the educational nostrum in politics is one of the most foolish."

The assumption on which the scorn of popular education as a means to good government proceeds is that the many are supposed thereby to be prepared to take charge of the state. But this is neither the theory nor the practice of a free government. There is no popular instinct, no fitness of things, that can be more constantly relied on than the disposition, on the part of the dependent and less well-informed classes, to defer to those of more experience and knowledge. If knowledge has not its due weight with the many, the fault lies chiefly with the well-informed. Leadership almost universally rests with the more intelligent class, and if, as between the members of that class confidence is misplaced, it is an evil that is to be corrected within the class itself. The usurpation of authority by the ignorant is a rare failure compared with the abuse of authority by the few. Popular intelligence plainly does tend to make the election of leadership by the many more free and safe, and this is all its advocates need predicate of it. The community is to be organized by assigning intelligence and patriotism their true position, and this will be more surely done in the degree in which the people are led to inquire and to act in reference to their own interests. The demagogue is an evil outgrowth of the entire community, and is favored by negligence and ignorance any and everywhere.

There is a serious difficulty in public, popular education as a source of national strength which remains to be overcome. The

true organic force of our social relations is what we need most to understand and what we find most difficulty in imparting. We have hitherto looked to religious training as the chief means of assigning the citizen his sphere of duty. But religious education has been narrow in its aims, inadequate in its attainments, and is now contraband in civic relations. We know not as yet how adequately to replace it in public instruction, and much less are we able to dispense with that conception of duty we have been accustomed to associate with it. The value of religious teaching is greatly reduced by a Jesuitical element which so easily enters into it. It assumes absolute truths and makes from them very inadequate deductions as to the social relations they involve. It leaves the social welfare firmly maintained, it may be, but very inadequately conceived and watched over.

Public instruction, denying to itself the religious field as one too little established and harmonious, necessarily starts with economic relations, with civic duties and social dependencies, and from this side approaches the spiritual order of the world. The theistic implications of the world are for it chiefly contained in its ethical law. It is a most wholesome thing to do, and one in perfect consistency with public instruction, to begin again with the spiritual relations nearest to us, to expound, enlarge and enforce them on the empirical side, and, by means of them, to settle the fact of divine government without raising directly the questions incident to that government. We have so long been in the habit of coming from an invisible world to the visible world with our theories of construction, that it is quite in order, as a mere process of correction, to reverse the movement and to inquire first into social, civic and spiritual facts undeniably present in human history, and from these arrive at the divine order of events. Public instruction as it prospers will gain boldness in this direction, will lose its negative, sceptical temper, and, convinced of the loving fellowship which must underlie human life, will be ready unconsciously to reabsorb and reshape to its uses the religious elements which have hitherto ruled.

What we need is a greater confidence in the inevitable intellectual evolution of society, and greater activity in judging, guiding, and correcting its processes. The wise method of hold-

ing fast the truth is not what we have thought it to be. The alleged failures of democracy are nothing more than the stumbling, uncertain steps with which we enter any new field of growth. They are products of the past quite as much as of the present, and are to be escaped by the divine discipline they put upon us.

JOHN BASCOM.

Williams College.

AMERICAN INTERNATIONAL INDEBTEDNESS.

DURING the last five years considerable interest has been manifested in the amount of American indebtedness to Europe and the annual interest payable by us to foreign capitalists.

The first important suggestions on the subject were offered by Mr. Heidelbach of the firm of Heidelbach, Ickelheimer & Co., of New York. An interesting discussion followed in the *Commercial and Financial Chronicle*, which was pointed out to me by Mr. C. W. King of J. P. Morgan & Co. In the course of this Mr. Heidelbach receded somewhat from the extreme limit of his first estimate, but the subject was finally abandoned without reaching any definite conclusion, the different estimates of our annual interest burden varying between \$70,000,000. and \$350,000,000. These estimates were all based on balance of imports and exports, or rates of exchange or other such wholesale considerations, and abounded in generalities.

About two years ago it occurred to the writer that a better approximation ought to be possible if the work was taken up in detail, and that by subdividing the indebtedness into different heads, and following up these separately, results might be obtained which could be checked to some degree.

The first analysis separated the indebtedness under the following heads: U. S. bonds, State bonds, county and municipal bonds, railroad stocks, railroad bonds, industrial securities, bank securities, mining securities, real estate, real estate mortgages, life insurance.

Study of Burdette's *Official Intelligence*, the organ of the London Stock Exchange, which gives statistics of all the securities dealt in there, promptly showed that some eliminations were possible.

On almost all of our State, county, and municipal bonds there is so high a special value at home for savings banks that only two States, six cities, and one county in the United States had

securities on the London list, and almost all our United States bonds are owned at home for similar reasons.

Investigation through friends familiar with lists of stockholders showed that except for a number of entirely British enterprises, mostly in brewing and flour mills, which are listed in London as British corporations, and have bought out American enterprises, foreigners had virtually none of our industrial securities, and that only infinitesimal amounts of the capital of our National and State banks were owned abroad otherwise than as held by Americans resident in Europe. It is not intended for the time being to consider these as foreign holdings.

It speedily became evident that the vast mass of foreign investments could only be in railroad securities.

Study of Burdette brought out another curious fact,—namely, that from these the New England railroads could be eliminated. This was checked by an investigation of the lists of stockholders of the New York and New Haven Railroad. The Vice-President of that road at my request found that less than 1.5 per cent. of their stock was held abroad in any way, and that probably more than two-thirds of that belonged to Americans living in Paris, much of the small remainder being owned in Cuba.

After this narrowing of the field, introductions were obtained through one of the great banking houses in New York to several of the great trunk lines with a view to determining the proportions of their securities held abroad. Here unfortunately arose a great difficulty in the fact that the bonds preferred in Europe are mainly coupon bonds, payable to bearer, and therefore wholly untraceable, but everywhere I learned that these securities had a great tendency to come home, and the New York Central people even told me that in the six months previous they estimated that not less than \$20,000,000. of their registered securities (stocks mainly) had come home.

This path being closed, it occurred to me that it might be feasible to trace the movement of coupon bonds through the insurance companies, since these bonds are always insured in transit, but unfortunately that clue failed, as in many cases the insurance was made in London without distinction of the direction of movement on the books, being merely for securities

in transit between given ports. This clue is capable, however, of being used to establish a superior limit above which these securities cannot have gone.

Having settled so much, I determined to take up the question from the investor's side in Europe. Through the courtesy of Mr. Edward Atkinson and others I secured letters of introduction to financiers in London, Paris, Amsterdam, Frankfurt, etc., and obtained through them information which I now submit in detail, hoping that it may serve as a basis for further discussion.

At the London Stock Exchange, in the absence of Sir Henry Burdette, who unfortunately was in America at the time of my visit, the authorities were unable to give me any information other than that there seemed at that time to be a drift of securities to America; but at the Inland Revenue Office Mr. Bernard Mallet put at my disposal all the information available from the income and succession taxes. A new system is now being adopted for classifying these sources of revenue, which, with the beginning of the new century, will make further investigation in this line well worth while, but at present the information available is meager, and only became comprehensible by means of personal explanations.

The income tax lists give the total income received in the United Kingdom during 1898 from United States, State, county, and municipal securities as £1,380 pounds sterling, just about one-sixth of the amount from Transvaal National Loans. This probably represents total holdings of such bonds of about \$1,500,000.

The other items interesting us were in Schedule D.—namely:

Foreign and Colonial securities and possessions and other profits	£9,080,917
Coupons (obtained by sworn statements from bankers, but giving no details further than that they were foreign)	9,276,473
Railways out of the United Kingdom.....	12,775,661
Total.....	£31,133,051

No further classification of these was given here, but under the head of Estate Duties a different classification was found

in which these latter properties were shown to stand in the following ratio:

Situated in foreign countries.....	2,614
" " British dependencies.....	1,582
Total	4,196

As British investments in the United States vastly exceed those in other countries, the Somerset House authorities gave as their opinion that probably no serious error would be made by assuming that half of the amounts mentioned in the three preceding items were the results of investments in the United States, giving as the approximate British income drawn from these sources about \$75,000,000 annually. But to this a correction should be added for evasion of the duty, and profits which are made by corporations which pay an income tax only on the profits distributed to stockholders. This can be only a matter of guess work, but the authorities felt reasonably sure that the income escaping taxation was well under 20 per cent. of the whole, and perhaps even under 10 per cent.; but to make a fair allowance, I have estimated the total British income drawn from the United States in 1898 at \$100,000,000, which on a 4 per cent. basis represents an investment of \$2,500,000,000. Of course this figure is open to question, but I feel considerable confidence that the error in it will not exceed 25 per cent. as of January 1st, 1899. This estimate has been criticised as excessive, and I myself feel that it is more probably too large than too small, but for a first approximation I should not like to reduce it much, especially as there is a large amount of unproductive property in this country but owned abroad, which must be considered in the capitalization. From all the information available I could find indications of only comparatively small amounts of money lent by English people on real estate mortgages in the United States, except through investment companies. Prior to 1893 there were large investments of this kind, made principally through the Lombard Investment Company and similar corporations, but during the panic of 1893 there was a terrible shrinkage in the value of farm lands, which resulted in bankruptcy for many of these companies, and since then this capital has been mostly

withdrawn from America. There appears to be very little of our real estate owned by Englishmen except as William Waldorf Astor may be considered English.

Through the courtesy of Mr. Charles Boissevain of Amsterdam I have been furnished with the following remarkably explicit statement of Dutch holdings in America. It was drawn up by Adolph Boissevain & Co., who add that they thought these figures approximated very closely to the truth last fall, but that a few years earlier the Dutch interests might have amounted to fully \$50,000,000, and perhaps \$100,000,000 more. They began to sell out during the panic of 1893.

DUTCH HOLDINGS OF AMERICAN SECURITIES.

	Market Value.
Railroad bonds	\$140,000,000
Railroad stocks and income bonds.....	74,000,000
U. S., State, county, and municipal bonds.....	5,000,000
Manufacturing and mining securities.....	4,000,000
Real estate mortgages.....	10,000,000
Real estate	3,000,000
Banking and commerce.....	5,000,000
 Total.....	 \$241,000,000

The great preponderance of railroad securities is shown here to advantage, but the total of United States, State, county, and municipal bonds is about three times that in England and proportionately thirty times as great. For the other items there are no sufficient data for comparison.

The Dutch seem to have begun their investments in the United States just at the close of the Revolution. They continued loaning large sums here until the overthrow of the Dutch Republic by the French Republic in the winter of 1794-1795. The indemnity of \$40,000,000 which they had to pay at that time, together with the almost simultaneous failure of the Dutch East India Company, left them no money to spare for foreign investment for a long time after that. There is room for an interesting monograph on the history of Dutch investments in America, beginning with their own colony of New Netherland.

Next in importance to the Dutch investments are those of Germany. These began during the rebellion, when capitalists in the southern part of Germany began buying United States

bonds. It is a curious fact that these purchases were made almost wholly in the parts of Germany inhabited mainly by Roman Catholics. To within a decade almost all these purchases were made through bankers in Frankfurt on the Main, which is still the main center in Germany for American securities. When the United States bonds were paid off or refunded their holders generally reinvested in American railroad bonds.

At Frankfurt I had the pleasure of the coöperation of the two great banking houses of Jacob S. H. Stern and N. Speyer Ellison. They assured me that almost the first question asked by any investor concerning any security was whether it was listed, so that those quoted in the *Kursblatt* would cover nearly all German investments in America. They said also that there was almost no German money invested in American real estate or real estate mortgages, and very little in manufactures, and that German investments in banking were fairly offset by shares owned by partners resident in America.

We took up the securities listed in detail, making separate estimates on the amounts held in Germany of each group of securities mentioned, of which the holdings were likely to reach \$1,000,000. The results were as follows:

ESTIMATES OF GERMAN HOLDINGS OF AMERICAN SECURITIES.

	Market Value.
Central Pacific securities.....	\$12,000,000 to \$15,000,000
Southern " "	15,000,000 17,000,000
Northern " "	20,000,000 25,000,000
Missouri " "	2,000,000 3,000,000
Union " "	2,000,000 3,000,000
California " "	3,000,000 4,000,000
Oregon R. R. & Nav. securities.....	1,000,000 2,000,000
P. R. R. and B. & O. R. R. .....	..... 1,000,000
Erie	2,000,000 3,000,000
Louisville & Nashville.....	..... 1,000,000
Chicago, Milwaukee & St. Paul.....	7,000,000 8,000,000
Chicago, Burlington & Quincy.....	2,000,000 3,000,000
Illinois Central.....	7,000,000 8,000,000
Rock Island.....	..... 1,000,000
Denver & Rio Grande.....	3,000,000 4,000,000
Houston & Texas Central .....	..... 2,000,000
Pitts., Cinn., Chicago & St. Louis.....	..... 2,000,000
Western New York & Pennsylvania .....	..... 1,000,000
County and City bonds	1,000,000 2,000,000
	<hr/>
	\$105,000,000

Beside these some fifteen other railroad companies were represented by one or more forms of securities and there were quotations of United States fours, Alabama fours, and bonds of two counties and nine cities.

I was told that it was very improbable that these items would in all add \$15,000,000 to the total.

I was told that almost the only German operation in American securities not managed from Frankfurt had been the great investment in Northern Pacific, which had been carried out by the Deutsche Bank of Berlin. I was told also that the German holdings had been much greater two years earlier, but that this probably represented the condition of things about August 1st, 1899.

Allowing for a heavy reduction by the balance of trade against Germany from January 1st to August 1st, and for important underestimates of security holdings, and for real estate and other investments overlooked entirely, it seems hardly probable that on January 1st, 1899, our net indebtedness to Germany can have exceeded \$200,000,000. This figure is far below the first preliminary estimate made, but it has been criticized as excessive. Possibly \$150,000,000 would cover it, but at present I prefer to present rather an overestimate than one too small.

Swiss investments in the United States began about 1855 as a consequence of a visit here by a member of the firm of Lombard, Odier et Cie, of Geneva. He was greatly impressed with the future of the country, and made some investments for himself in county bonds, acting under the advice of the Iselins of New York, who were of Swiss origin. On his return he published a pamphlet on the advantages of the United States as a field for investment, but was still so cautious about it that when shortly after a customer came in to ask them to invest over 100,000 frs. in America for him, they persuaded him not to take so big a risk, and limit this first venture to half his fortune.

Acting very carefully, their American investments proved very satisfactory. Lombard, Odier et Cie, had virtually a monopoly of this field in Switzerland, and their business grew until it was estimated a few years ago that one-third of the entire amount of securities of all kinds owned in Geneva were American. To begin with, they confined themselves almost wholly to county

bonds, but when the supply of these ran short, they began investing in United States bonds during the war, and later in railroad bonds of the better class.

The sympathy of the Swiss for the United States has always been very strong, and since their investments first began there has never been a period during which their sales have exceeded their purchases. In this respect they stand alone. During the panic of 1893 they held aloof in disgust, but did not sell while all the rest of Europe was dumping our securities on the New York Stock Exchange, very much to our ultimate profit at their expense, though also greatly to our temporary embarrassment. Even during the last three years the Swiss have withstood the drain of American securities to make up for the enormous balance of trade in our favor.

During the last ten or fifteen years the increase in Swiss holdings has been helped by other bankers in Geneva as well as in Basle, Zürich, and Schaffhausen, who have entered this field, but the investments made by some of these newer competitors have not proved as satisfactory as those originally made by Lombard, Odier et Cie. The newer firms did not appreciate that, with the greater abundance of capital in America, sound investments yielding 6 per cent. or even 5 per cent. were no longer easy to obtain there, and they have taken up a lower grade of securities. That the day of their investments in America should be over is shown by the fact that last year two of our great insurance companies took up the larger parts of issues of 4 per cent. bonds by Swiss cities, paying, in one instance at least, a slight premium for them. This shows that in the eyes of these very careful students of the world's money markets, Swiss securities now offer a better field for investment than American, for these investments greatly exceed any probable requirements to secure the small number of risks underwritten in Switzerland. These investments mark, I believe, the first appearance of American capital in Europe on a large scale, and excited a good deal of local interest.

The total value of Swiss investments in America was estimated for me separately by two friends in banking circles at Geneva. Each gave \$75,000,000 as the result, which accordingly seems

quite a probable value. Included in this amount, however, are unquestionably a number of investments for customers of the Genevese bankers living in the parts of France for which Geneva is the banking center. Swiss investments other than in bonds were said to be almost null.

For France the figures are much less satisfactory. The paternal French government endeavors to prevent its lambs from losses through dealing in securities unknown to the powers that be, by prohibiting dealings in them on the Paris Bourse, with the result on one hand that brokers at London, Amsterdam, Brussels and Geneva wax fat on commissions which would otherwise stay in Paris; and on the other, that purely French enterprises like the Panama Canal obtain a preference. However, very few American securities seem to be held in France, and it is probable that \$50,000,000 would cover the whole. I was able to learn of only one case of investment of French capital in American manufactures, and that originated through Genevese connections. It was, however, an important amount.

Belgians, like the French, seem not to have invested heavily in America. Probably \$20,000,000 would cover their holdings, of which, however, a larger proportion than with other countries seems to be invested in manufactures. Belgium is in proportion to its size the manufacturing country of the world.

There remain only two countries in Europe having balances of any importance to spare for investment abroad. These are Sweden and Denmark. From what little I have been able to learn of these I do not think that either have large amounts placed here. Roumania is the only other European country which is not almost drowned in debt.

In spite of the general poverty of their country (which this enhances) many Russians have invested considerable sums outside of Russia, so as to have resources out of reach of confiscation by the Russian government, but I do not think that they have made such investments to any extent in America, except as they have been made so as to have been considered already as German or French or other investments. I think that probably \$15,000,000 would cover all the European investments in America on January 1, 1900, except those for which an estimate has been offered.

One other considerable foreign holding unexpectedly appeared in Cuba. Owing to the danger to property in Cuba during the various revolutions in that unhappy land, many wealthy Cubans invested large sums in our securities. I was informed by the head of an important house in Cuba, of specific holdings of American securities by Cubans amounting to \$18,000,000, and it seems not improbable that there are others which would bring this total up to \$30,000,000. Similar investments by other Latin Americans and Canadians would probably raise this total to \$45,000,000, for extra-European foreign investments in the United States.

Beside all these investments we have one other great liability in the shape of insurance on lives of foreigners. Four great American companies have underwritten a tremendous volume of risks all over the world. These of course are not present liabilities, but they are continually maturing. The real measure of them is their cash surrender value. The total of this for the four companies is about \$185,000,000, offset by about \$45,000,000 of investments in foreign countries.

To offset against these huge debts we have had few holdings of European securities, except those of the great insurance companies. I know of one or two isolated cases of investments in English consols in this country, and there are some holdings of London Underground Railroad securities, but the rule seems very general that capital flows for investment from the country of lower rates to that of higher rates, and that counter currents occur only between countries where rates of interest are so nearly the same that their constant fluctuations occasionally reverse the normal levels. A small series of exceptions occurs in cases where foreign investments are sought for the peculiar purposes of avoiding the possibility of confiscation, or to give a source of income which shall not be subject to the same causes of depression as all the others of the same owner, but these are few, as they can only be accomplished at some loss of revenue, as compared with equivalent security at home. The cases specified above of Russian and Cuban investments in foreign securities and of New England investments in English consols both fall under this head. The investments made last year in Swiss bonds, however, repre-

sent the case where capital had become so plenty here, owing to our vast exports, that for a time interest rates were lower in New York than in Europe, which made a natural flow in that direction. Probably \$15,000,000 would have covered these American investments in Europe on January 1, 1900. On the other hand, large amounts of American capital have overflowed into Canada, into Latin America, and a little into China and Japan.

In Canada our investments include a considerable amount of Canada Southern stocks and bonds (this road being a link in the Vanderbilt system) with some small holdings of Canadian Pacific, and a few other scattering railroad securities, such as the Kingston and Pembroke Railroad, amounting in all to perhaps \$25,000,000.

Our main interests in Canada, however, are in mines. It was estimated by the *Engineering and Mining Journal* that one-fourth of the returns from mines being worked in Canada went to American owners, and since the total annual returns were estimated by them at \$25,000,000, this would represent at 6 per cent. about \$150,000,000 of American investment. Probably timber lands in Canada owned by Americans, and loans by them in Canada, would make up \$25,000,000 more, making our credit balance there about \$150,000,000.

Mexico also owes us important amounts. The Mexican Central and Mexican National Railroads are mainly owned in the United States, and it is estimated that other holdings in these would be just about offset by American holdings in other Mexican railroads. The market value of these securities is approximately \$90,000,000. The American investments in mines and smelters in Mexico were estimated by the *Engineering and Mining Journal* at about \$75,000,000, and apparently not less than \$10,000,000 of American capital is invested in banking and commercial enterprises in Mexico and probably as much more in coffee and tobacco plantations and in factories, although most of the manufacturing capital in Mexico is native or British.

Next in importance among our debtors is the island of Cuba. The common estimate of American interests there prior to the war with Spain was \$50,000,000. I was able to check in detail

The Bank

Assets

1. Current Assets

2. Investments

3. Fixed Assets

4. Other Assets

5. Total Assets

6. Liabilities

7. Capital

8. Reserves

9. Other Liabilities

10. Total Liabilities

11. Surplus

12. Total Liabilities and Surplus

13. Net Assets

14. Net Assets of Non-Bank Subsidiaries

15. Net Assets of Non-Bank Subsidiaries as of January 1st, 1950

	Dr.
1. Current Assets	\$ 30,000,000
2. Investments	100,000,000
3. Fixed Assets	200,000,000
4. Other Assets	75,000,000
5. Total Assets	500,000,000
6. Liabilities	100,000,000
7. Capital	15,000,000
8. Reserves	15,000,000
9. Other Liabilities	10,000,000
10. Total Liabilities	100,000,000
11. Surplus	\$3,330,000,000

	Dr.
1. Europe, U.S. and United States	\$ 10,000,000
2. Canada	150,000,000
3. Mexico	185,000,000
4. Latin America	50,000,000
5. Other Americas	10,000,000
6. Latin America	45,000,000
7. Pacific, China and Japan	5,000,000
8. Other Financial Institutions	45,000,000
	<u>\$500,000,000</u>
9. Balance	<u>\$2,830,000,000</u>

In view of our enormous recent exports it seems probable that we shall begin the new century with not much over \$2,000,-000,000 of total net foreign indebtedness, and in view of the much higher average rate of return on our foreign investments than we pay to Europe, probably our net annual interest tribute is not at present over \$90,000,000, a very large sum, but much smaller than that estimated a few years ago by Mr. Heidelbach.

It would be very interesting to trace in detail the development of this huge debt, but space forbids more than a brief outline of the items to be considered. It seems not unlikely that in time to come our century will be looked back upon as characterized by the simultaneous growth of personal property and of indebtedness. Prior to it debts existed and indeed some very large debts, but many of these no one ever expected to pay, and they were in fact either the results of forced loans, or, on the other hand, sums advanced under guise of a loan to avoid breach of neutrality, but which really were subsidies to belligerents, and so ought hardly to be considered as debts. They seldom represented either improvements or investments, and were almost wholly the result of war expenditures, the rare exceptions being mainly the creations of regal spendthrifts with one or two wild speculations like that of John Law in France and the South Sea Bubble in England. These war debts were generally looked upon as the personal obligations of a sovereign who might see fit to pay them, but who more probably would find it inconvenient. The Report on the Tenth Census says of our French loan of 1778, "It is probable that it was in its inception not so much a loan as a subsidy."

The credit of European sovereignties was so poor at Amsterdam that on July 26th, 1783, John Adams wrote to the Secretary of the moribund Continental Congress, "I have great pleasure in assuring you that there is not one foreign loan open in this republic (Holland) which is in as good credit and goes so quick as mine. The Empress of Russia opened a loan of five millions about the same time that I opened mine. She is far from having obtained three millions on it. Spain opened a loan with the house of Hope, at the same time, for two millions only, and you may depend upon it, it is very far from being full. Not one-

quarter part of the loan of France, upon life rents, advantageous as it is to the lender, is full." England, Prussia, Sweden and Switzerland were about the only countries in Europe which had not committed some act of insolvency by the close of the Napoleonic wars.

Prior to the French Revolution, Sweden practically had no debt, and Prussia and Switzerland generally had a large military chest instead, so that it was only in England and in Holland (countries under parliamentary government) that the idea of a state bond, as distinguished from the personal debt of a sovereign, had begun to make its way, so as to make such bonds considered as forms of investment giving reasonable security and capable in turn of being made the security for other credits. It was the lending of credit rather than money, since the Napoleonic wars, together with the simultaneous development of manufactures based on credit, that has given England its financial leadership.

It was the desire of the allied sovereigns to reimburse themselves for the expense of overthrowing Napoleon I by saddling it on the French, that first established generally the principle of international law that a territory becomes responsible for the debts incurred by its rulers; and this principle has now been pushed so far, that after the overthrow of Napoleon III the French Republic, after considerable debate in the Chambers, decided to continue payment of the annual allowance granted by the previous government as a wedding settlement to a French princess married to a minor German potentate, although all other pensions to members of the imperial family, etc., were cut off, and although there was no provision for its continuation in the treaty of Versailles.

The great quantity of government debts which were funded early in this century, in the general financial reorganization which followed the Napoleonic wars, provided an enormous amount of readily salable acknowledgments of indebtedness, which furnished a basis for securing loans such as had never previously existed and sufficient in volume to popularize a new meaning for the word securities. Continental Europe was so exhausted by this fearful struggle, which lasted a quarter of a century, that for forty years there was no energy available outside of England for

any new developments. Prior to this development of government securities, almost the only form of profitable investment for personal property was of the nature of real estate mortgages, except for sums actually employed in trade, but the foundation of the Dutch and English East India Companies, and the Bank of England about the year 1700 (the Bank of England being founded to take care of the English parliamentary debt) made a new opening for money.

So far as my information goes, except for the Hudson's Bay Company, every corporate venture in America prior to the Revolution was unprofitable. The nearly simultaneous collapses, about 1720, of the South Sea Bubble and the Mississippi scheme, gave a great set-back to investments not under the investor's eye, and prevented the American Colonies from being overwhelmed with interest charges. Even as it was, there was a heavy load of private debts at the breaking out of the Revolution, mainly for luxuries imported from England, and this would have been much heavier but for the Non-Intercourse resolutions which followed the Stamp Act in all the Colonies; but these were almost exclusively owned by Englishmen and were largely wiped out in the Revolution by general bankruptcy and confiscation; so that at the close of that struggle the main external indebtedness of the country was summed up in the indebtedness to France, Holland and Spain.

For a few years after that there was a tendency to extravagant importations unbalanced by exports, to make up for the desolation of the war, but before the adoption of the Constitution home manufactures were beginning to spring up, encouraged by the low price of labor, and under the stimulus of Hamilton's tariff they began to develop generally in the northern States. Probably \$20,000,000 would have covered our net indebtedness at the adoption of the Constitution. The English were feeling too bitter against us to risk many investments in America, although through the Barings they invested \$7,000,000 in the first United States bank, so that on Sept. 1st, 1792, Rufus King could write to Gouverneur Morris, "Our commerce and navigation continue to increase, and what is of still more consequence, the capital employed is in a good degree an American instead of a British one."

About this time, however, Dutch capital had begun to pour into America to buy up the domestic debt, and to dip into land speculations. The Holland purchase in New York, made under the advice of Robert Morris, proved extremely fortunate, but other great tracts bought in Virginia and other States resulted in heavy losses. The French invasion of Holland in 1793 dried up this stream of foreign capital, although the United States government succeeded in placing a final small loan in Amsterdam in the year succeeding.

Late in 1792 the second great financial panic of modern times (the collapse of the Mississippi scheme and the South Sea Bubble made the first) created a tremendous stringency in England, and checked the flow of capital to this country which had begun during the flurry which had attended the break in value of shares in the United States Bank earlier in the year, and for a few years our country pursued an independent course, which was greatly favored by the gradual spread of war over Europe, opening a great market for our produce, and throwing much of the carrying trade of the world into our hands.

Our neutrality and consequent exemption from the waste of war, however, soon put our securities at a premium in England again, so that in 1807 a large proportion of our national debt of about eighty millions was held there. The embargo which began in December, 1807, though in great measure interfering with the enormously profitable carrying trade done by Americans, greatly reduced imports, and after a year of great suffering, much of the capital formerly employed in shipping was put into manufacturing, finally establishing firmly the cotton and woolen industries in Rhode Island and Eastern Massachusetts, where prior to that time the population had been almost wholly seafaring or agricultural, although close by the birthplace of Oliver Hazard Perry a woolen mill had been struggling since 1801, which is now the oldest industry of the kind remaining in the hands of the family who originally started it. The iron industry also received a mighty impetus at this time in Pennsylvania and Connecticut.

The war of 1812 probably helped the country financially. All our funds for carrying it on had to be raised at home, as there

were so few lenders in Europe that quite a little of the English war debt was held in New England, where this war was very unpopular, and the values of the prizes taken by the swarming American privateers drove the values of imports for 1812 far above the average for years previous, while the loss by American vessels taken was much less than it would otherwise have been, owing to the very superior sailing qualities of the American ships built for blockade running.

In spite of the Embargo and Non-Intercourse Acts, American shipping registered for foreign trade rose to a maximum of 981,000 tons (probably worth \$40,000,000) in 1809, which was in the middle of the embargo. The minimum to which it fell during the war was 672,000 tons in 1813, an amount greater than the average employed during the decade from 1820 to 1830, when government statistics show that 90 per cent. of our foreign trade went in American bottoms. This shows that a very large share of American shipping must have been employed between foreign ports during the Napoleonic wars. For the long period from 1793 to 1815 it seems probable that if 10 per cent. of the total value of our imports and exports were credited to our country for freight on them and profits on transportation between foreign countries, the figures thus obtained would still be rather too unfavorable to us in balancing imports and exports. During this period about 90 per cent. of the total of both was carried in American bottoms, and it is supposed that about 250,000 immigrants came in also. From 1820 to 1860, government statistics show that 80 per cent. of all of our exports and imports went in American bottoms, and as during this period there came in as well an annual average of 110,000 immigrants, it seems not improbable that a similar addition of 8 per cent. to the American credit account would not be unfair, particularly as these immigrants, in the earlier period especially, were often men of some substance, and brought with them money and other goods for which no equivalent was ever to be rendered to the countries from which they came. During this period also there grew up a very important kind of export trade which never figured in our statistics, namely, the sale of ships. During this entire period we were as distinctively the ship building people of the world

as the English have been since, so that here is another important offset to the nominal balance against us, which without such corrections would become fabulous.

During the War of Secession the sale of ships to foreigners increased in enormous proportions. Our ship-building did not cease, but in 1866 we had left in foreign trade only 1,386,000 tons, worth about \$75,000,000. As the ships and cargoes destroyed by the Confederate cruisers were only valued at about \$17,000,000, here is an item of about \$50,000,000 due to sales of American shipping, or transfers to foreign registry. But even so, on an average, 20 per cent. of our foreign trade has been done in American bottoms since 1860, so that it is not fair to charge all the items for freight against us, as was done by Mr. Heidelbach. Of late it has been notorious that the foreign steamship lines to America have not been very profitable, and as they buy most of their provisions, except coal, in America (as has always been customary, since it was the cheapest market), heavy discounts should be made from the total freight figures for this, and for wharf rents, etc., and again for the fact that many vessels owned in this country sail under foreign flags, owing to our navigation laws. It is well known that the vessels belonging to the Red Star Line and sailing under the Belgian flag, and several of the steamers of the International Navigation Company sailing under the British flag, and all those of the Atlantic Transport Line, likewise under the British flag, are owned in this country. This has been the cause of much lobbying of late for subsidies for ships owned by Americans prior to a given date.

Four other matters disturb calculations based simply on exports and imports.

The first is the influence of panics. One of the main causes of our panic of 1837, though one generally overlooked, was the English panic of 1836. Coming at a time when America was eager to speculate in land, it dried up suddenly a stream of cash coming in return for our exports. By 1837 England was in the state in which we were in 1894, with money idle in great quantities, and interest rates at 1 per cent. or 2 per cent., so that when our crash came in 1837, large amounts of English money

were sent over here for investment in our securities at their depreciated values, and England profited greatly at our expense. I have been unable to find how such matters went in 1857, but the English made stupendous losses in Confederate bonds during the war, and again in 1873, with the collapse of the Reading Railroad, and others of their favorite investments; but it is probable that their heaviest loss was in the panic of 1893, which was immensely aggravated by their dumping all manner of securities on the New York Stock Exchange for anything they would bring. English panics over Bryan in 1896 and over the Spanish war in 1898 also cost them dear.

Next comes the matter of money sent abroad by immigrants. With no statistics available, I am inclined to consider this more than offset by the cash brought in by them, so that there should be a credit on this account.

A very large loss, however, comes from the money spent by Americans traveling and temporarily resident in Europe, and for this there is only an insignificant offset in the sums spent by pleasure seekers from Europe in this country. Estimates on this vary immensely, but it seems not improbable that this item alone may have amounted to an average of \$50,000,000 a year for the last twenty years, and to half that for the twenty years preceding.

Of the same nature is the loss by the expatriation of wealthy Americans going to live abroad permanently in the glamor of foreign aristocracies. Probably not less than an average of \$10,000,000 annually has gone in this way for twenty years back, the cases of the Duchess of Marlborough, of the Countess de Castellane and of the Viscountess Curzon being striking instances of expatriation by marriage. The expatriation of Messrs. William Waldorf Astor and Bradley Martin, who have recently become British subjects, would alone carry up the average for twenty years to a very high figure. Here again there is no compensating current. When the Baroness Burdett Coutts married an American, her husband became a naturalized British subject instead of bringing his wife to this country.

Taking into consideration the estimate of \$20,000,000 originally owed by us in 1789, and the balance of trade since then,

with the various corrections suggested in this article including a charge against us of 2 per cent. of the total value of imports and exports since 1865 to compensate for freight in foreign currency, it will be found that an average return of about 4 per cent. on all foreign investments, good, bad and indifferent, would bring our indebtedness to the figures estimated in this article. This does not seem an improbable rate.

In summing up the existing causes of outlay, it is well to observe that for several years the values of our imports are supposed to cover freight to the port of entry, so that this important item can now probably be omitted without serious error, as the large proportion of the cost of transportation going for wharves, supplies, etc., and the American ownership of 20 per cent. of the tonnage used would probably more than offset lapses from this, so that the balance of imports and exports (including specie) can be used without this correction.

If again we assume that immigrants bring in as much money as they send home to relatives, we have left for debtor items in our annual budget.

Net interest	\$90,000.000
Expenditures of Americans traveling	50,000.000
Loss by expatriations	10,000.000
	<hr/>
	\$150,000,000

Probably for this year, the second item will be much larger, owing to the Paris Exposition, and the others may be under-estimates, but probably \$200,000,000 would in any case cover our annual outlay for such items. As for the past three years the balance of exports in our favor has averaged over \$500,000,000, it is evident that about six years of continuance of such foreign trade would clear off our indebtedness as a nation, and already we are reaching a point where we are becoming so powerful financially that we are beginning to compete in European financial affairs instead of being dependent on them for support.

NATHANIEL T. BACON.

Peace Dale, R. I.

APPENDIX.

This article was written early in July, 1900. Since then our holdings of European securities have been immensely increased by the placing here of English, Swedish and German loans amounting to about \$60,000,000.

Our continued outpour of exports has made interest rates lower here than anywhere else, which in turn greatly stimulates all industries. The rise in coal abroad has apparently encouraged some foreign speculation in American coal lands in the last few months, but on the whole the general balance remains unchanged. Fewer of our securities have come home, owing to our purchases of foreign bonds.

It is a matter for congratulation that so far our purchases of foreign bonds are all of the highest class. It shows wise discrimination on the part of our financiers that a Russian loan offered here was refused. It is to be hoped that we may remain free from the questionable securities of which most European countries are so prodigal.

Now that the Paris Exposition is drawing to its close it is evident that the rush of Americans thither was not so great as the steamship companies expected, but with the growth of prosperity it is to be expected that the annual current of tourists will increase.

Our country now finds itself in a condition not unlike that of the United States Treasury in Cleveland's first administration, when the Secretary of the Treasury, not having any bonds due and payable, found it necessary to go out into the open market and buy government securities at their market price, paying premiums, in order to prevent a business collapse from accumulation of money in the treasury.

In conclusion I would like to express my obligations for aid and comfort to Mr. Herbert J. Wells, to Messrs. J. P. Morgan & Co., to Mr. John Hay, to Sir Robert Giffen and to M. Raphael Georges Lévy as well as to the gentlemen mentioned in the text.

N. T. B.

OBSERVATIONS CONCERNING THE THEORY OF RAILWAY CHARGES.

IT is not at all likely that the student who interests himself in the economic aspects of railway transportation will ever have at his disposal more accurate or complete information concerning the history of railway charges in the United States, during the most notable period of the development of American railways than that which is now available.¹

An examination of the data that have been rendered available by recent investigations concerning the history of railway charges in this country will show that the following facts have been completely established by abundant evidence:

First—Since 1870 there has been a fairly regular and practically uninterrupted decline in railway rates which has extended throughout the entire continental territory of the United States and has affected all classes of traffic.

Second—Although there have been notable reductions in the prices of railway supplies² and important economies in operation have been introduced, the decline in rates has more than offset the amounts thus saved and there has been a material decrease in the rate of return to capital invested in railway enterprises.³

As abundant evidence of the accuracy of the foregoing can be obtained from the sources referred to, it does not seem to be desirable to introduce such evidence at the present time. The observations that are to follow will be found to be dependent for their validity upon the accuracy of these statements, but it

¹See Report of Changes in Railway Transportation Rates, by C. C. McCain, in Wholesale Prices, Wages, and Transportation; Senate Document 1394, Fifty-second Congress, Second Session. Also, Changes in Rates of Charge for Railway and other Transportation Services, Bulletin 15—Miscellaneous Series, Division of Statistics, U. S. Department of Agriculture.

²More recently there have been many advances, but the net changes are mainly downward.

³Data establishing this fact were presented by the writer in an article entitled "The Decline in Railway Rates: Some of Its Causes and Results," published in the *Journal of Political Economy* of September, 1898.

is possible that even those who at first refuse to accept them, if they will attempt to follow the arguments to be presented herein, may be led to believe that they are at least probable upon *a priori* grounds.

The study of railway history had so far impressed the facts which are thus made the premises of this paper upon the writer that he felt justified, as early as the year 1895, in formulating his conclusions in a generalization,¹ which with an unimportant modification was subsequently expressed as follows:

" railway charges tend unceasingly toward the lowest rates that will produce a revenue sufficient in the aggregate to meet operating expenses, including necessary repairs and renewals, and, in addition, return to capital the lowest recompense for which it can be secured."²

It is not contended that the foregoing generalization must, of necessity, be accepted by all who recognize that the facts are as previously stated, but it will undoubtedly be evident to every one that, if the latter have been correctly summarized, the theoretical interpretation of the conditions of the business of railway transportation has not kept pace with the determination of the practical results of those conditions.

No satisfactory answer has ever been given to the question: *How has a large portion of the revenue that with the maintenance of former rates of interest and of dividends would have accrued to the owners of railway securities been diverted to the travelling and shipping public in the form of reduced charges?*

Omitting, for the present, any reference to the other reasons for rejecting the crude, though frequently urged, explanation that the competition of rival lines offering to carry between identical points has caused the decline, it is sufficient to direct attention to the inadequacy of that explanation. The decline has affected traffic for which there is no such competition (*i. e.*, local business) in quite as notable a manner as it has that for which two or more routes are available. The explanation is therefore much narrower than the facts to which it is addressed. This inadequacy has by no means escaped the attention of stu-

¹ Reduction in Railway Rates, *The Independent*, June 6, 1895

² *Railway Economics*, pp. 52-53

dents and publicists, although occasional expressions,¹ which, on account of the seriously erroneous principles of regulation which they foster are regarded as especially unfortunate, indicate that the more superficial opinion has not entirely disappeared.

The existence of a wider and more potent form of competition that is not limited to traffic carried between junction points has frequently been alleged by students of transportation, by whom it has been variously denominated the competition of "producers and consumers" of "markets" of "connecting lines" of "railways for traffic," etc., etc.

The best statement of the nature of this wider competition known to the writer is found in a paper contributed to the *Annals of the American Academy of Political and Social Science*,² by Dr. Walter E. Weyl. In this article, Dr. Weyl said:

"Freight rates have been lowered through the competition of railroads, or other transportation agents, situated hundreds of miles from each other. It is regrettable that the problem of railway competition has been studied too locally, and with insufficient emphasis upon its national and international bearings. Strictly speaking, permanent competition can exist, not between railways struggling for the same traffic, but solely between those railways which have no territory in common. Given two railways which tap a given circumscribed wheat area in Dakota, and however bitter and fierce the struggle for patronage may temporarily be, the inevitable result is the adoption of a *modus vivendi*, which places rates upon a permanent basis. But Dakota

¹The following quotation from the Eleventh Annual Report of the Interstate Commerce Commission (pages 49, 50) indicates that, as late as 1897, that body regarded competition of alternative routes as the cause of rate reductions:

" . . . if pooling produces any beneficial result, it necessarily does so at the expense of competition. It is only by destroying competition that the inducement to deviate from the published rate is wholly removed. . . . By the legalizing of pooling the public loses the only protection which it now has against the unreasonable exactions of transportation agencies. We are all agreed that the enormous power which such a measure would place in the hands of railroad companies ought not to be granted unless the exercise of that power is properly restrained in advance. . . . The members of the Interstate Commerce Commission wish to say in the strongest possible terms that they are unanimous in the opinion that to overturn the Trans-Missouri decision, to repeal the fifth section and enact in its place a pooling bill, thereby permitting and inviting unlimited combination between carriers, would be little better than a crime against the people of the United States. . . . "

² Causes Affecting Railway Rates and Fares—May, 1898.

wheat enjoys no monopoly, and the freight rates on these roads must be low enough to allow the Dakota farmer to compete with the farmers of Nebraska or Kansas. In consequence the freight charges on Kansas and Nebraska roads will determine a maximum above which the Dakota railroads cannot permanently charge. The same fact is true of foreign competition. Our wheat roads must compete not only with those of Canada, but with Indian, Russian and Argentinian railways, as well as with numerous maritime agencies all over the world. . . . This competition . . . will at all events keep down freight rates and induce the railroads to make, if necessary, repeated concessions to the needs of their patrons. . . . This competition . . . is practically non-existent in the transportation of passengers."

The terms of the foregoing statement are not always accurate, and it is somewhat sketchy and incomplete; yet, in the main, it is a more concise and satisfactory description of conditions which have long been recognized by careful students than any elsewhere available.

In common with all other statements in regard to this form of competition there is, however, a total absence of any explanation of the manner in which it operates.¹ The necessity of such an explanation is beyond question, for the most superficial examination will show that the competition indicated is not within the terms of any of the customary definitions of that economic process. These definitions all contemplate a rivalry for the privilege of supplying or obtaining similar commodities or services and certainly do not refer to a rivalry between agencies which offer such widely different services as those involved in transporting wheat, respectively, from Dakota and from Argentina to their common European markets. Closer examination of the conditions of which the quotation constitutes but a sketch in outline will show that the distinction is only superficial and that by remembering that transportation is really a part of the process of production and then resorting to the simple and scientifically correct expedient of considering the producers of utilities of place as cooperating with the producers of utilities of form in a joint productive process and as joint competitors with other producers of the same commodities who meet with them in common markets, the apparent difficulty disappears. Considered in this manner, such competition is clearly within the terms of the definition of

¹ The writer acknowledges having incorporated a similarly defective statement in his *Railway Economics*—p. 49 et seq.

President Hadley,¹ and if there is any to which it does not conform it is one which is not abreast of the modern development of industrial relations.

A summary statement of this method of explaining the decline in railway charges may be given in the language in which the writer thought best to present it to the rather mixed audience which gathered at the Conference on Trusts, held under the auspices of The Civic Federation of Chicago, during September, 1899.²

"A little thought will suggest a cause that may have produced the decline, in spite of, though somewhat hindered by, the wastes just discussed.

For lack of a better phrase this cause may be designated as the competition among producers for the privilege of selling in the dearest markets and that of consumers for the privilege of purchasing in the cheapest markets. This needs to be qualified by the suggestion that railways must be considered as producers for the reason that the productive process cannot be regarded as complete, in connection with a particular article, until that article is available for consumption. In more technical words, that are however perfectly clear in their meaning, production consists of the creation of utilities of place as well as of utilities of form.

Railways, therefore, are partners³ in the production of the commodities that they carry. Partners with whom? The answer is, with every separate productive establishment, farm or factory, workshop or mine, that exists along their lines and furnishes traffic for their trains. Each railway forms, in effect, a separate combination [the word combination is here used in a clearly innocuous sense] with each separate productive establishment and, as either place or form utilities might be useless without the other, these combinations are essential to the completion of the productive process. Obviously, any railway may participate in many such combinations which produce the same article. These combinations may compete among themselves, and as most producers of form utilities have a definite cost of production per unit of product while most of the costs of producing transportation cannot be assigned to particular services, it is not difficult to force railways to assume the greater shares in the sacrifices which such competition involves."

The concept of a separate combination between each productive

¹"Competition may be defined as the effort of rival sellers to dispose of their goods, or of rival buyers to secure the goods and services which they require; an effort limited by the desire of the seller to secure as high a price as possible, and by the desire of the buyer to pay as low a price as possible." *Economics*, p. 73.

²Proceedings of the Chicago Conference on Trusts, pp. 242-43.

³The word "partners" was used as more nearly expressing the speaker's meaning than any other that would be generally intelligible to those addressed, and is not to be taken in an unqualified sense.

establishment and the carrier serving it, suggested in the foregoing extract, requires further elaboration. Nearly every railway carrier has along its lines and at its terminals large numbers of industrial establishments which together usually cover a wide range of productive activities. These establishments, or most of them, have among themselves no contractual or other fixed relations except those resulting from the legal or commercial institutions of the country in which they are located, and few of them have any fixed relations, beyond those so indicated, with the railway itself. The products of these establishments may be classified with regard to whether they are supplied to meet a local demand on the one hand or to meet the wants of consumers in other regions upon the other. In the former case the relation of the railway to the producers is rather indefinite and is not likely to be expressed by any special action. The wants of such producers in regard to personal transportation and as consumers of goods produced elsewhere are grouped with those of other residents of the locality or treated with regard only to the conditions of the production which in turn supplies them.

The relations of the carrier with those who produce to supply regions that can be reached only by the utilization of transportation agencies are obviously very different. Such producers furnish the carrier with its freight traffic and upon them it is dependent for its revenue. In this situation the local producer and the carrier are each capable of supplying commodities which, having by themselves no value, or none that need be regarded in this connection, have together a considerable value. The local producer has his utility of form, his wheat, cotton, pork, pig iron, steel rails, woolens, or other goods; the carrier, producer of utilities of place, can render these available to consumers by transporting them to the regions where the latter are located. Without the added utility of place the commodities of the local producer might be mere negative utilities¹ or, in rare instances,

"... if we suppose a want—which must necessarily be of some given magnitude—and if we suppose the physico-chemical properties of a thing and our knowledge or opinion of such properties to be constant, then the utility of this thing is a function of its quantity, and, at first positive, ends by becoming negative. Every commodity may thus cease to be a commodity and may become a thing of negative utility, or to put it more briefly than accurately, a negative commodity." (Pantaleoni, *Pure Economics*, pp. 79, 80.)

they might have some value for local consumption. The latter possibility in no way modifies the argument, however, for there is no objection to considering the advantage which the producer of exported commodities must abstain from realizing through their local sale, as a part of the cost of production of articles which are reserved for export. Of course this advantage has to be overcome before the commodities enter the class with those which furnish railways with traffic. The railway and the local producer, therefore, possess commodities which are complementary to each other. The union of these commodities is necessary before either can realize his cost of production, to say nothing of such profits as may reasonably be anticipated. That such a union will take place in most cases is not doubtful. It is the economic necessity of at least one of the possible parties and to the economic advantage of the other.

If it is possible to obtain from an examination of the circumstances which attend the agreements under which the respective producers of these complementary utilities effect their union, any definite information concerning the terms upon which they must meet, it will materially advance the knowledge of the conditions which determine railway rates. For this purpose it is desirable to classify the producers of utilities of form according to the terms on which their products enter the markets that they supply. If these products are so limited in quantity and so peculiar to the region from which they are shipped as to enjoy monopoly privileges in the market or markets to which they are consigned, the carrier will share whatever profits may accrue from that monopoly with the local producers upon terms which will be fixed by contract. Each party to such a contract will naturally attempt to secure the greatest share possible and the result will depend largely upon the wisdom, ingenuity, and persistence with which each presses his respective aim. The traffic in products so monopolized is, however, under modern conditions, very limited and opportunities to secure very high rates even on such traffic are closely restricted by the necessity of adjusting even monopoly prices to the effective demand of consumers. Though it is apparently necessary to leave this branch of the subject with a generalization that is unsatisfactorily

indefinite in terms, a recurrence to observation will show that, however successful railways may have been in their efforts to secure high rates upon this portion of their business, the total contribution to revenue obtained therefrom has not sufficed to prevent a very material reduction in the rate of return to railway capital. This is equivalent to saying that even though it should appear that railways are able to and do take very large shares of the value of the monopolized commodities carried over their lines, this will serve merely to demonstrate that they secure smaller shares than would be otherwise indicated of the value of the commodities that are marketed under competitive conditions.

The vastly greater bulk of railway freight traffic is composed of articles which are produced in many regions and by large numbers of independent establishments. With regard to such products consumers have usually little if any preference for those of one region over those of another and whatever preference does exist is expressed by a moderate differential. The latter being overcome, the product of the less favored region is unhesitatingly substituted. The concept of a separate combination between each producer of utilities of form and the producer who adds thereto a complementary utility of place, is especially valuable in connection with this great mass of railway traffic.

The consumers who obtain their supplies in a particular market will pay a definite price for a certain quantity of any commodity. If more is offered they will, within certain limits, not now material, take it at a lower price; if less is available they will bid the price to a higher figure. These conditions of course are equally applicable to monopolized commodities, but they do not affect the railway rates applied thereto with similar force. The reason for this difference is simple—if the article is monopolized, the carrier may demand a certain rate and may refuse to carry unless that rate is paid. Then only so much will be shipped as can profitably be marketed after meeting the transportation charges that are demanded. Thus the carrier by limiting its rates can determine the volume of shipments, i.e. the supply in the market reached, and, of necessity, the price will be that which the local producer is willing to accept at the local point plus the rates imposed by the carrier and the other incidental

expenses of transportation. On the other hand, with regard to articles that are not monopolized the railway can control neither the supply nor the price. The market will be supplied in some way either by local producers or through the aid of other carriers even though a particular carrier withdraws its services, and it is probable that in any event the aggregate supply will be drawn from many and divergent sources.

Under these circumstances what are the relations between the producer of form utilities and the railway which can place them in the market? Starting with the fact that the price is fixed and cannot be modified by the carrier, the next step is to observe that the amount that must be permitted to accrue to the producer of utilities of form is also beyond the carrier's control. This point will be appreciated as soon as it is stated. The producer of utilities of form must receive prices equal to his cost of production. If this is not returned he will go out of business and will no longer furnish traffic for the carrier. Railway officers are keenly aware of this fact and are exceedingly watchful that they may not be taken unaware by changes in market conditions resulting in the unexpected diminution of the tonnage received at any point. The following quotation from a statement of methods of observing traffic movement with a view of preventing such reductions in its volume is very suggestive:

"Now we will take up that very considerable class of tonnage that goes to competing markets or to the same market from competing points. This is not a certain and easy class to determine, but practically the distinction does exist and is very clearly marked at times. Only the traffic man is in position to know just what business it is. It will be scattered at various points along the road and may be very miscellaneous. . . . Where once indicated by the traffic department, such tonnage should be regularly withdrawn each month from the general body to a class by itself. . . . Explanations will largely lie in market conditions. It is the business that is most sensitive to industrial and commercial conditions, and it is the duty of the traffic man to detect at once any general tendencies and adjust his rate without delay. He generally does on the complaints of individual shippers. . . . Sometimes the fault may lie with the producing point, and the traffic manager will be as jealous to guard the business from such decline as if it were his rate that was at fault."¹

A full comprehension of the significance of the foregoing is dependent upon the realization that it is the statement of a

¹J. Shirley Eaton, *Railroad Operations; How to Know Them*, pp. 12-13.

practical railway officer based upon an intimate knowledge of the conditions of railway traffic and expressed in the customary terminology of current railway practice. Its essence is the clear indication that the volume of traffic is to be controlled through the adjustment of charges and that these must respect the interests of local producers or traffic will fail. The admonition to the rate-making officer to "adjust his rate without delay" to changed commercial conditions is in agreement with the most enlightened practice. It is the practical statement of the theory of charging "what the traffic will bear" and avoiding what President Hadley has called "what the traffic will not bear." The slight confusion of terms in the concluding sentence of the quotation is so evident that it in no way detracts from the obviousness of this interpretation.

Were there not insuperable objections to the general practice, even from the point of view of the least far-seeing railway manager, it might be that the adjustment of charges so as to insure to each producer of farm utilities the return of his cost of production and to the railway the highest possible revenue would be accomplished by means of separate bargains upon different terms with each consignor. Were this practicable, the railway might collect in each case the difference between local cost of production and the prices paid by consumers (less, of course, other costs of handling in transit, commissions, etc.) and thus absorb all possible local differential gains. This may be the explanation of some of the discriminations among individual shippers that have caused so much complaint in the United States during the last three decades.

The general imposition of the discriminating charges which would be necessary to effect the universal or even frequent absorption of differential gains would be as impossible as it would be illegal and undesirable. Substantial support of this proposition might be brought forward in the form of a discussion of the effect upon productive industry of what producers would regard as manifestly unfair distribution. It is only necessary to suggest this objection, as less complicated ones are readily available. Such discriminations are forbidden by law in the United States and, however defective may be the present

enforcement of this law, it has the unquestioned sanction of an ultimately invincible public sentiment and, with regard at least to an important portion of railway traffic, of commercial customs which cannot be overcome. Neither public sentiment nor public law would permit the publication of schedules of rates which, if observed, would have the effect of securing higher rates from certain producers than from others located at the same point and obtaining identical service. Those violations of law which inevitably occur under present conditions are effected by means of secret and usually temporary variations from the published schedules and in nearly all instances must be supposed to have the effect of adding to the differential gains of the more favorably situated producers.¹

Under any open schedule of charges that may continually be applied at any point, a marginal producer is certain, sooner or later, to appear. No one can be required to pay higher rates than those published, and the marginal producer, if not, as is usually the case, too weak to secure concessions for his traffic, is certain, unless they are withdrawn, soon to see the special rates which he has obtained openly promulgated as charges applicable to all business of like character received at the same point.

The limit to the amount which can be collected by any carrier for any service is, therefore, the difference between the price of the commodity taken to market through its agency and the marginal cost of production of that commodity at the point whence it is shipped.

It may be urged, however, that if the carrier is not satisfied that it will be profitable from its own point of view to perform the transportation upon these terms, it can withdraw from the business entirely or by raising its rates force a particular marginal producer out of business and substitute another whose cost is lower. This contention is by no means wholly groundless, yet it is important to enumerate some of the circumstances and motives which lead railways to accept traffic at the lowest possible rates and occasionally mislead railway officers as to the point at which profit ceases and loss commences.

¹The writer may be permitted here to use this term in a sense that will include large shippers (such as grain dealers) who are really middlemen.

The primary observation in this connection is that there is no specific cost assignable to a particular railway service.¹ A very large proportion of the expenses of railway transportation are incurred on account of numerous services, many are incurred on account of all, and a very insignificant, in fact almost negligible, proportion of the aggregate is accurately assignable to particular services. President Hadley expressed the consequences of this fact and at least one of its causes when he indicated an important distinction between railway competition and that of establishments having smaller proportions of fixed capital. He wrote:

"The competition of different stores finds a natural limit. It brings rates down near to cost of service, and then stops. The competition of railroads or factories finds no such natural limit. Wherever there is a large permanent investment, and large fixed charges, competition brings rates down below cost of service."²

In declaring, however, that "competition brings rates down below cost of service,"³ the author of the foregoing quotation apparently sanctioned the erroneous assumption of the existence of specific costs. The fact that railway transportation presents a case of "joint cost" had not received attention at the time (1885) of the publication of the work quoted. The fact that there are no specific costs is now thoroughly understood and there is consequently less tendency to criticize the currently accepted belief among railway officers that anything received for a particular service above the cost actually incurred expressly for handling that particular item of traffic, is to be regarded as clear gain unless there is to be set against it revenue from traffic sacrificed in order to obtain it or a higher sum which, with greater ingenuity, might have been secured from this the service performed.⁴ This opinion, which is commonly regarded as a sound principle for the guidance of traffic and rate-making officers, is, naturally, a great incentive toward the acceptance of low rates and the general

¹ Professor F. W. Taussig, "A Contribution to the Theory of Railway Rates," *Quarterly Journal of Economics*, July, 1891. H. T. Newcomb, *Railway Economics*, p. 80 et seq.

² *Railroad Transportation*, p. 74.

³ It is to be understood that President Hadley applied this observation to but a portion of the total traffic.

⁴ J. Shirley Eaton, *Railroad Operations. How to Know Them*, p. 39.

encouragement and constant creation and re-creation of marginal producers. The aim which it fosters is the constant multiplication of tonnage and ton-mileage regardless, or nearly so, of the effect which such business may have upon net revenues. The following extract fairly illustrates the traffic officer's attitude in this particular:

"There is, of course, the underlying idea that our traffic does produce net earnings, but the certainty and amount of this profit on each kind of business are matter for inquiry at a different time and in a more thorough way. Therefore, the cry of the traffic department for 'tonnage,' regardless of kind or distance hauled or amount of revenue, is not so mistaken. We cannot control the destination of single shipments, or regulate the length of the haul except in the case of alternative routing of through business. We can only take the business that is offered, be its haul great or small; hence, the primary measure of the business we get is simply tons, irrespective of distance carried or class of freight."¹

Briefly summarized, the relations between the railway and those of the patrons who supply distant markets with products subject to competition are the result of the following conditions:

1. A definite price fixed by consumers.
2. A definite marginal cost of production at each producing point which each producer of form utilities must receive.
3. No definite cost of production of specific railway services, *i. e.*, place utilities.
4. Volume of traffic the principal measure of current success in administration.

Under these conditions there can be no doubt as to which party will be found to bear the burden of whatever sacrifice in revenue may at any time be necessary.

The producer of form utilities who does not receive his cost of production will go out of business and every schedule of charges tends to create its marginal producer, hence there can be no advance in rates. There is usually an applicant for lower charges at every station who will guarantee increased volume of traffic if only he is enabled, by lower charges, to place his goods or more of his goods in the market. Railway officers are themselves watching carefully for opportunities thus to increase the traffic from their stations, to point out new markets for the products of industries already established, and to encourage the

¹ J. Shirley Eaton, *Railroad Operations; How to Know Them*, p. 9.

inauguration of new forms of production in their territory. Such movements almost invariably require modifications in rate schedules and the changes are always downward. The slightest change at one shipping point must affect many others which produce for the common market, for the adjustment is always delicate and easily disturbed.

If this analysis is accepted, the question naturally arises whether it is applicable to the traffic of a single line or of a single system. Will a railway enter into separate combinations with shippers along its own lines and will these combinations compete among themselves, in a market not supplied from other sources, in such a way as ultimately to absorb the results of economies in operation and to keep dividends and interest at or below the current commercial level? Probably no such test is required in order to establish the accuracy of the theory herein proposed as an explanation of facts which, as has been shown, have disclosed themselves in fragmentary form and in diverse aspects to numerous writers on transportation. Yet, without venturing the assertion that such competition will always exist in effective form among combinations to which a single line contributes all of the complementary utilities of place, it is believed that a few suggestions will indicate that it must control the charges of all but the least extensive lines. These will be found to be equally applicable to traffic originating in more widely separated regions and are merely supplemental to the considerations already advanced.

The constant fluctuations in industrial conditions, which proceed from prosperity to depression with regular wave-like variations, must have consequences that are important in this connection. The industries that are tributary to a single line will adjust themselves to its schedules and, as has been said, each shipping point will have its marginal producer. If the adjustment is regarded as that of a period of depression, it is obvious that progress toward better times will entail increasing demand, and the raising of the marginal cost of production. The former marginal producer will begin to receive a differential gain, and as the process goes on new marginal producers will appear, and in turn pass to the more fortunate class until the highest point of business activity is reached. The railway officer has

seen traffic increase in volume and has possibly been able to increase the return to investors. The reaction, however, finds an established volume of traffic and this must not be permitted to decrease, at least not without a severe struggle to maintain the maximum. Prices at the ultimate market are declining, marginal cost of production at shipping points cannot be reduced without decreasing tonnage, clearly rates must decline with prices. Thus the process of declining rates continues, the adjustment of periods of depression becomes that of periods of prosperity; the latter cannot be maintained through the succeeding periods of decline.

With regard to some forms of production, notably agriculture, the variations of successive seasons may be substituted for those of commercial conditions with the same result. If it is objected that railway officers can adjust charges to improving conditions as well as to those of declining activity, the answer, from every student of railway history, will be that they never do. Only the most superficial will fail to see that they have no such incentive. To quote Mr. Eaton once more:

"Very seldom is he (the traffic manager) called upon for an explanation for increases of business. In some way the superior official assumes that an increase is *per se* a good showing."¹

As conditions of prosperity give place to those of depression, the barometer, volume of traffic, is frequently and earnestly scrutinized; when the movement is the other way, every one is too busy "moving the business" and exchanging congratulations over the good times to think of translating its indications in terms of earnings, much less of comparing these with problematical possibilities.

It has already been suggested that the contention that the carrier may protect its net earnings by refusing traffic at unprofitable rates is not groundless. In spite of the fact that it is often cheaper to carry business at a loss than not to carry it at all²

¹ *Railroad Operations; How to Know Them*, p. 14.

² " If you take at eleven cents freight that cost you twenty-five cents to handle, you lose fourteen cents on every ton you carry. If you refuse to take it at that rate, you lose fifteen cents on every ton you do not carry. If it be objected that such a case could not occur in practice, the answer is that it does occur constantly." (A. T. Hadley, *Railroad Transportation*, p. 17.)

there is a limit, not to rates for specific services, but to general reductions which, at least in a progressing country, will not permanently be passed. It is possibly too much to say that this limit is fixed by the sum necessary to meet operating expenses and return to invested capital the current rate of interest and insurance against risks of similar hazard. There is evidence, possibly not conclusive, yet sufficient to suggest that the limit may be still lower. The attractive possibilities of gain through the manipulation of securities, of the realization of collateral profits through speculation in land contiguous to new lines; the misleading hope of excessive gains growing out of examples furnished under the peculiar circumstances of some relatively early railway enterprises; and the allurements, formerly offered, in the way of Federal aid by means of grants of land and otherwise, may have operated to reduce the average return below the level established for other enterprises. Yet, however this may be, there is unquestionably an ultimate limit, and, whether or not it can be ascertained or even expressed in any but the most general terms, no student of transportation can afford to ignore its existence.

In conclusion the writer may be permitted to indicate the direction of some of the practical applications of the theory that is here suggested. The most obvious bearing is upon the desirability of railway agreements for the suppression of competition among lines connecting the same points, and for the maintenance of rates. It is certain that if railway rates tend naturally toward a minimum in the establishment of which the cost of operation is an important element, the enforcement of wasteful competitive methods of administration is undesirable, as the costs of such methods must inevitably become a charge upon traffic. It will probably appear also to have considerable force in determining the economic desirability of extensive corporate consolidations and the degree and character of state control over rates. The method to be adopted for the taxation of railway property would appear to be affected as, if the conditions of railway transportation have been correctly interpreted, such a tax must be distributed among railway patrons.

H. T. NEWCOMB.

Washington, D. C., Census Office.

THE MACHINISTS' STRIKE, 1900.¹

THE history of the early trades union movement is largely the record of a struggle on the part of laboring men for the right to organize. After a half century of determined effort that privilege has now been thoroughly established. But the right to organize amounted to very little if the organizations of the men were not recognized and dealt with officially. Accordingly the struggle for the next twenty-five years was over the demand for recognition on the part of the unions. "I will treat with the men as individuals only" was the almost invariable answer of the employer when approached by the officers of the union on the occasion of a strike or lockout. More often than not prominent union men were practically black-listed by the employers, and in some cases employees were compelled to refrain from joining a union as a condition of employment. Gradually, however, the unions won partial recognition and in many quarters were able to enforce their demands by concerted action when refused. Of recent years the principle of collective bargaining has gained in favor, as the employers as well as employees have become better organized, and the destructive character of industrial warfare has been more clearly recognized. But it remained for the present year to witness the culmination of this movement in the adoption of a joint agreement by the national organizations of the two parties. This recognition of the principle of collective bargaining on a national scale was given by an agree-

¹ While this article is based chiefly on direct investigation and personal communications from manufacturers and trades unionists, the following references have been used:

"*Both Sides of the Machinists' Strike.*" A small pamphlet published by the Chicago manufacturers.

"*One Side of the Machinists' Strike in Chicago.*" An unpublished MS. article by Business Agent F. W. Brown, Chicago.

Engineering Magazine, New York, May-July, 1900.

Monthly Journal of the International Association of Machinists. Washington, D. C., February-July, 1900.

Daily papers of Chicago and New York; the former especially, February April 1; the latter, May 10-20.

ment entered into on May 18 between the National Metal Trades Association and the International Association of Machinists. This is the first time that the national associations of employers and the employees have effected such a union in the United States, and it may therefore be considered an epoch in the history of trades unionism in this country.

It is a curious fact that this movement, important and pregnant with vast possibilities as it is, was not the result of a preconcerted plan,¹ but was the outcome of a small and apparently rather hopeless strike inaugurated at Chicago. To thoroughly understand the situation, therefore, we shall have to trace the events that led up to this strike. Although Chicago is properly regarded as the hot-bed of trades-unionism in this country, the organization of the machinists in that city was at a very low ebb in the spring of 1899, so that on March 1 of that year a local organizer was placed temporarily in the field. From a membership of 493 the number was increased by his efforts to 741 in June. A district lodge was also formed in that month, composed of delegates from each local lodge, which elected a permanent business agent or walking delegate. The organization was not increasing rapidly enough, however, to suit the ideas of the business agent. Many machinists who were not members of the association did not believe in the ability of that body to help them. "Make a demand for something," they would say; "let us know you are going to ask for better conditions, more pay, shorter hours, or anything, and we will be with you."² Accordingly a plan was formulated by the business agent to make certain demands of the manufacturers, and if these were not conceded to go on strike. By this means it was hoped to build up a stronger organization among the machinists.³ This plan was ratified by the local unions in December, by which time the membership had grown to 1,143. The most important demands made by the machinists were the exclusive employment of union men, a nine hour day, a wage-scale ranging from \$2.80 to \$3.25

¹ Such as the engineers' strike in England, in 1897.

² "One Side of the Machinists' Strike in Chicago," p. 3.

³ The business agent stated to the writer that this was the sole reason for making these demands at this time.

1. We will be satisfied when it is in the interest of
men to work and the interest of business.

The first demand was for a ~~raise~~ in ~~the~~ ~~rate~~ ~~of~~ ~~wages~~ ~~in~~ ~~the~~ ~~shops~~ ~~and~~ ~~factories~~ ~~but~~ ~~as~~ ~~the~~ ~~territories~~ ~~are~~ ~~generally~~ ~~not~~ ~~the~~ ~~same~~ ~~and~~ ~~as~~ ~~the~~ ~~interests~~ ~~of~~ ~~the~~ ~~business~~ ~~are~~ ~~so~~ ~~different~~ ~~we~~ ~~asked~~ ~~that~~ ~~the~~ ~~agreement~~ ~~be~~ ~~made~~ ~~in~~ ~~the~~ ~~line~~ ~~I~~ ~~will~~ ~~give~~ ~~a~~ ~~short~~ ~~list~~ ~~of~~ ~~the~~ ~~points~~ ~~and~~ ~~the~~ ~~employers~~ ~~agreed~~ ~~to~~ ~~the~~ ~~changes~~ ~~proposed~~ ~~at~~ ~~Chicago~~ ~~on~~ ~~February~~ ~~1~~, ~~1900~~. ~~These~~ ~~changes~~ ~~are~~ ~~as~~ ~~follows~~:

1. A general ~~raise~~ ~~in~~ ~~the~~ ~~rate~~ ~~of~~ ~~wages~~ ~~in~~ ~~the~~ ~~shops~~ ~~and~~ ~~factories~~.

2. From now on every day's wages of the I. A. of M. is good working in machine, shop and office and will work
a Saturday half a day longer at the same rate of compensation wages
of the I. A. of M. and call it what a general vacation a ~~vacation~~
~~and~~ ~~no~~ ~~work~~ ~~on~~ ~~Saturday~~.

3. The minimum wage of wages for machinists shall be ~~20~~ cents per hour,
and for the shop and office workers 15 cents per hour.

4. The overtime pay of 12 hours pay tonight shall be paid for at the rate of
one and one-half times.

5. All days off, sick and all other holidays and Sundays shall be paid for
at the rate of double time.

6. The right of association shall be in accordance with the constitution
of the I. A. of M. if one representative to each shop, and one to every
factory or department. Art. II sec. 1.

7. To work for overtime a day's work. All time worked over nine
hours shall be granted in accordance with sections 4 and 5.

8. When necessary to reduce the force of employees on account of slackness
of work the men have been laid off will be given first opportunity for
reemployment seniority and proficiency to govern.

9. In case of a grievance arising the firm agree to receive a committee of
their employees to investigate, and, if possible, to adjust the same. If no
adjustment is reached, the case shall be referred to the firm and the executive
board of the district judge. If no satisfactory settlement is agreed upon the
whole matter shall be submitted to a board of arbitration of five persons,
selected by the two parties. The decision to be binding on both sides.

10. The agreement shall be in force until March 1, 1901.

11. Thirty days notice must be given of a desired renewal or change of
this agreement.

* The greatest indignation was aroused among the manufacturers by the
calling of a strike at this time and in this manner. Cf. an open letter of
Perry & Chalmers under date of February 26, and testimony of W. J.
Chalmers before the Industrial Commission, March 20, 1900.

seemed that trouble might be averted. Mr. Gates made a public statement to the effect that 'there was a general desire on the part of the manufacturers to avoid a strike. He believed, too, that the majority opposed a lockout.'¹ A conference was held between representatives of the two organizations for the purpose of settling, if possible, the points of disagreement. The manufacturers, however, refused to discuss the first demand made in the agreement, namely the exclusive employment of members of the International Association of Machinists, and the union men refused to proceed unless this were done.² The conference, therefore, ended abruptly without result, and on March 1 the strike, which had been pending during these negotiations, went into effect without reserve. By the end of the first week in March some 6,000 men were out, of whom about one-half were members of the machinists' union.³

The demands of the Chicago machinists were soon taken up in other cities and strikes were inaugurated in Philadelphia, Paterson, N. J., and Cleveland and Columbus, O., and threatened to spread farther.⁴ In Paterson the workers requested a uniform advance of 10 per cent. in their wages; in Cleveland the demand was for a nine hour day with ten hours pay; in Columbus some nine demands were made, similar to those presented in Chicago, though even more extreme.⁵ It was estimated that there were

¹ *Chicago Record*, February 27.

² *Monthly Journal of the International Association of Machinists*, April, p. 210.

³ The machinists claimed 4,000 members at this time.

⁴ To Baltimore, Boston and New York.

⁵ The following demands were presented to the Columbus manufacturers:

1. A minimum wage of 25 cents an hour.

2. Overtime, Sundays and legal holidays to be paid time and one-half.

3. Apprentices to be limited as per constitution of the I. A. of M.

4. All machinists shall have working cards of the I. A. of M.

5. Men are to be laid off in order of their employment, but no reduction of force is to take place while it is practical to reduce the hours of labor.

6. No machinist to be discharged for incompetency after working 30 days.

7. All disputes to be settled by a shop committee and the management. If no settlement is reached, the matter is to be submitted to an arbitration board.

8. Fifty-five hours shall be a week's work. Saturday may be made a half holiday.

9. No machinist is to run two or more machines.

These demands were presented in February, but on the refusal of the

and the employers' agreement to make it the law of Illinois.
The Chicago Times Herald says: "The manufacturers have
agreed to make it the law of the state."

The manufacturers are going to take it the same way. A long
negotiation is now under way. It is likely to be
a long one, because of the fact that the Chicago Association has
agreed to bring back to the manufacturers the resolution to
make it the law of the state. The manufacturers have
agreed to do this, and they will do it. They will
try to get a compromise as far as possible in
order to satisfy both sides. In connection with the
negotiations, the manufacturers have agreed to dispute
any demands that may be made by the union men
in connection with the proposed legislation. They have also
agreed to submit all the details of wages demanded and
all other demands to a joint arbitration board. All
other demands, including all other matters submitted
to the arbitration board, will be referred to the joint arbitration board. The manufacturers have agreed to
submit all their demands to the joint arbitration board.

A joint arbitration board was held between the Adminis-
trative Committee of the International Metal Trades Association and
the Chicago Board of Directors of the International Association
of Machinists. The result of the negotiations was known later as the
Chicago Agreement. The manufacturers, pro-
viding for the arbitration of all points in dispute to a joint
arbitration board.¹ It was also provided that until the matters
in question were accepted by the manufacturers, President O'Connell, in March, dropped
demands 6 and 9, and the latter half of 7 and 8, and added a provision that
the agreement should not stand each year. The manufacturers were will-
ing to concede demands 7 and 9 and to grant a Saturday half-holiday. On
the refusal of the employers to accept their terms the union men struck.

¹ *Monthly Journal of the I. A. of M.*, March, p. 177; April, p. 199

² *Chicago Times Herald*, March 10.

³ The section containing this provision was as follows: "In all pending disputes, and in disputes hereafter to arise between members of the respective organizations, i.e., an employer and his employees, every reasonable effort shall be made by the said parties to effect a satisfactory adjustment of the difficulty, failing in which, either party shall have the right to ask the reference to a committee of arbitration which shall consist of the presidents

in dispute should be finally adjudicated all strikes and lockouts should be called off. To this agreement the men submitted amendments providing that: (1) members of the National Metal Trades Association should recommend to machinists the necessity of becoming members of the International Association of Machinists; (2) arbitration should be had not later than March 26; and (3) agreements should expire March 1 each year. The employers declined to accept these amendments and insisted that all strikes should be called off before arbitration should begin. On the other hand, the union men refused to call off existing strikes unless a time limit were inserted, as they claimed that otherwise there was no assurance that arbitration ever would take place.¹ They accordingly refused to ratify the agreement as presented. Two weeks later,² however, after some pressure had been brought to bear, a modified agreement was accepted by both sides. It was agreed that differences as to matters in dispute should be settled by arbitration, which should be had within the next two months. The findings of the arbitration committee should have force, beginning Monday, April 2, and pending arbitration the men should return to work. This agreement, made by the national councils of both organizations, was then submitted to the local branches for ratification. All accepted it, except the striking machinists at Paterson and Cleveland, who refused to return to work pending arbitration.³ Accordingly, the strike was officially declared off on April 2 in all cities except these two, and as fast as the manufacturers signed the agreement the men returned to work. The Chicago machinists adopted the

of the National Metal Trades Association and of the International Association of Machinists, or their representatives, and two other representatives from each association appointed by their respective presidents. The findings of this committee of arbitration by a majority vote shall be considered as final as regards the case at issue, and as making a precedent for the future action of the respective organizations. Pending adjudication by this committee of arbitration there shall be no cessation of work at the instance of either party to the dispute. The committee of arbitration shall meet within two weeks after the reference of the dispute to them."

¹ *Monthly Journal of Machinists*, April, p. 215.

² *Ibid.*, March 31.

³ *New York Tribune*, April 1..

agreement by a vote of 3,028 to 396, and by April 6 all but 1,000 of the 6,000 strikers in that city had returned to work.¹

Under the terms of the Chicago agreement a joint arbitration board, composed of three representatives from each side, met in New York City on May 10.² After a week's harmonious and careful deliberation they entered into a joint agreement, which was accepted by both organizations. Before beginning their deliberations the strikes in Cleveland and Paterson were called off by the machinists, there being no other strikes or lockouts in any shops in the United States.³ This joint agreement, effected between the national association of employers and employees, is of sufficient importance to give in full.⁴ After pledging themselves to mutual observance of the decisions of the board, they agreed upon the following propositions:⁵

"Machinists. A machinist is classified as a competent general workman, competent floor hand, etc. To be considered a competent hand in either class he shall be able to take any piece of work pertaining to his class, with the drawings or blue prints, and prosecute the work to successful completion within a reasonable time. He shall also have served a regular apprenticeship or have worked at the trade four years.

It is understood that the question of competency is to be determined by the employers. Since the employers are responsible

¹ One of the interesting features of the strike was the novel method adopted of keeping non-union men or "scabs" from taking the places of the strikers. A number of kodak cameras were purchased and "snap shots" taken of all such men; these pictures were then distributed among the various local unions. Whether it was because of the novelty of the method, or the good temper displayed, it seemed to be successful in keeping applicants away.

² The National Metal Trades Association was represented by D. McLaren (President), Cincinnati, O.; Edwin Reynolds, Milwaukee, Wis.; Walter L. Pierce, Brooklyn, N. Y. The International Association of Machinists was represented by James O'Connell (President), Washington, D. C.; D. Douglas

³ *Monthly Journal of Machinists*, June, p. 313.

⁴ The magnitude of the interests involved evidences sufficiently its importance. It was estimated that this conference represented manufacturing interests with a capital of \$3,000,000,000, and employees numbering 100,000. —*Monthly Journal of Machinists*, April, p. 215.

⁵ For copies of the agreement see the *Iron Age*, May 24; *American Machinist*, May 31 and June 28; *Engineering Magazine*, July; *Monthly Journal of I. A. of M.*, June.

for the work turned out by their workman, they shall, therefore, have full discretion to designate the men they consider competent to perform the work, and to determine the conditions under which it shall be prosecuted.

This last paragraph does not, in any way, abridge or destroy the right of appeal from any apparent or alleged unjust decision rendered by an employer of labor, or his representative, in conformity with the powers vested in him by this paragraph.

Overtime. All overtime up to 10 o'clock P. M. shall be paid for at the rate of not less than time and one-quarter time, and all overtime from 10 P. M. until 12 midnight shall be paid for at a rate of time and one-half time, and that after 12 o'clock and legal holidays and Sundays shall be paid for at a rate of not less than double time.

In cases of emergencies, where shop machinery breaks or runs down, and it is absolutely necessary to repair the same so that the factory can run on Monday, this time shall be paid for at a rate of time and one-half time. The repairs above referred to apply only to the machinery of the employer.

The foregoing rates not to interfere in any way with existing conditions; that is, where a higher rate than the above is paid now, no reduction will take place.

Such rates for overtime shall not apply to men regularly employed on night gangs.

Apprentices. There may be one apprentice for the shop, and in addition not more than one apprentice to every five machinists. It is understood that in shops where the ratio is more than the above, no change shall take place until the ratio has reduced itself to the proper number, by lapse or by the expiration of existing contracts.

Employment and Hours. No discrimination shall be made against union men and every workman shall be free to belong to a trade union, should he see fit. Every employer shall be free to employ any man, whether or not he belong to a trade union. Every workman who elects to work in a shop will be required to work peaceably and harmoniously with all fellow employees, whether he or they belong to a trade union or not. He shall also be free to leave such employment, but no collective action shall

be taken until any matter in dispute has been dealt with under the provisions for avoiding disputes as per the Chicago agreement, dated March 17, 1900, signed March 31, 1900. The National Metal Trades Association does not advise its members to object to union workmen or give preference to non-union workmen.

Fifty-seven hours shall constitute a week's work from and after six months from the date of the final adoption of a joint agreement, and fifty-four hours shall constitute a week's work from and after twelve months from the date of the final adoption of a joint agreement. The hours to be divided as will best suit the convenience of the employer.

In consideration of this concession in working hours, the International Association of Machinists will place no restriction upon the management or production of the shop and will give a fair day's work for a fair day's wage.

NOTE:—This is not to interfere in any way with shops where a less number of hours per week is already in operation."¹

The results of the arbitration conference were accepted with satisfaction by both sides, but the machinists especially hailed them as a signal recognition of their demands. They claimed that they had made substantial gains, even greater than they had hoped for, by securing the following points: (1) National recognition of their organization, which was now conceded for the first time in their history; (2) limitation of apprentices, in which respect their full demand was granted; (3) the definition of a machinist according to the constitution of their order; (4) the nine-hour day, though after a year; (5) the definition of overtime.² On the other hand, it will be seen from the briefest perusal of the agreement that the management of the business was left entirely in the hands of the manufacturers, without interference on the part of the walking delegate—a vital point in the

¹ The dispute at Paterson was settled on a separate basis: the 10 per cent. advance demanded in wages was granted, and the sections of the agreement under "Overtime" and "Hours" were made to apply. With this exception all members of the two associations were bound by the agreement as given.

² Cf. letter of President O'Connell in *Monthly Journal of Machinists*, June, p. 347.

contentions of employers with labor unions.¹ From the stand-point of society, as well as of the employers, the greatest gain which resulted from the conference was the guarantee that in future arbitration would be substituted for industrial warfare in cases of dispute between members of the two associations. While the New York settlement did not directly touch upon some controverted points, such as piece work, minimum wage, or the handy man, it established a precedent of wise, temperate and common sense agreement which is the best and most certain assurance against future discord. More than anything else it was a victory for the principle of collective bargaining.

As the labor unions have grown in strength and have enforced concerted demands, they have shown the manufacturers the necessity of combining for protection. Especially where strikes have been freely resorted to, they have served to knit the employers into closely united federations, so that to-day scarcely a trade exists, whose men are organized, where the manufacturers are not also combined into local or national associations. While many of these are fighting organizations, some of them at least have shown the way to industrial peace, without employing drastic measures, and at least two or three have established the principle of national arbitration.² To reduce the friction which has hitherto seemed unavoidable between the manager's office and the workshop is a most desirable consummation. To eliminate the local business agent and his petty tyranny, and to substitute national agreements between the chief executive officers of employers and labor organizations is a step both enlightened and necessary in our industrial development. The new conditions will beget a kindlier feeling and mutual forbearance. Nor is this all. The manufacturers' associations, as well as the labor unions, have been singularly educative. They have widened the members' views, and, while making them more tolerant of one another, have substituted broad, vital issues for local or personal matters of dispute.

¹ Cf. paragraphs of agreement under "Machinists" and "Employment and Hours," etc.

² E.g. National Founders Association. Cf. H. W. Hoyt, "Manufacturers' Associations, Labor Organizations, and Arbitration," article in *Engineering Magazine*, May, 1900, p. 173.

In summing up the results of this peaceful settlement of the machinists' strike, it is impossible not to make comparisons with the engineers' strike in England two and a half years ago. In England the engineers made their fight on the adoption of the eight-hour day, but the real issue of the struggle was the men's insistence upon the manufacturers' adoption of trade union regulations in the operation of their works. The demand for the reduction of the working day only served to cloak the other demands, such as the limitation of apprentices, limiting the number of machines to a man, fixing a minimum wage, etc., but it was on the basis of these latter that the dispute was decided. Although the men began the struggle splendidly organized and with a large reserve fund in their treasury, the result, after months of bitter struggle, was a complete victory for the manufacturers. The reason for this outcome was that the manufacturers could not concede the union demands and maintain their position in the world markets. They contended, and apparently with justice, that England had already fallen behind and was in danger of losing her commercial supremacy owing to the increasing interference with and limitation of the manufacturers' business by the trades unions. In the agreement finally reached between the Employers' Federation of Engineering Associations and the Amalgamated Society of Engineers, the unions yielded most of their demands and practically conceded the manufacturers' contentions.

The lessons of this industrial struggle in England, dearly bought as they were, have evidently been studied to some purpose in this country both by masters and men; echoes of the English agreement sound through the resolutions of the joint arbitration board of the National Metal Trades Association and the International Association of Machinists. This would seem to show that it will not be necessary for the United States to go through all the phases of the English labor struggle and to repeat all the mistakes of British employers and unions, but that we may and will adopt the results of their experience. In this case the machinists yielded their less tenable demands and did not press for a settlement of others, which the experience of their English

brothers had shown were impossible of attainment.¹ It is certainly a matter of congratulation that such an agreement should have been reached amicably, as a substitute for and not as the result of a long, bitter and exhausting struggle. The result of the machinists' strike of 1900 must be regarded, therefore, not only as a long step forward on the road of collective bargaining, but as a substantial victory for the principle of voluntary arbitration.

¹ Cf. the modification of the Columbus demands and final settlement, for instance. P. 305, note.

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NOTES.

English Economic Legislation of 1900. Although the South African war chiefly occupied the attention of the British Parliament in the session of 1900, there were noteworthy additions to economic and municipal legislation, to the class of domestic legislation which so markedly characterized the Parliament of 1895–1900. There was in the session of 1900 no great measure such as the Workmen's Compensation Act of 1897; but that Act, and several others affecting economic conditions, were extended or amended, and new departures were made by such acts as that for the better prevention of accidents on railways, and the act making stringent amendments to the laws with respect to money lending.

In 1897, when the Workmen's Compensation Act was passed, two large classes were excluded from its scope. These were agricultural laborers and sailors in the merchant service. There were then efforts to bring these classes within the Act; but the government resisted the extension of the measure to them. They resisted its extension to seamen on the ground that they were a special class, and that if there was legislation for them, it would have to be specially framed to meet the conditions of sea-faring life. Against the inclusion of agricultural laborers, it was contended in 1897, that accidents in agriculture were comparatively few, and that farmers as a rule were not capitalists, and that the burden of accidents would be a serious matter for most of them. For these reasons, the Act was narrowed down so as to leave both agricultural labourers and seamen outside its provisions; and in case of accidents in agriculture, the only remedy a labourer had, was by proceeding under the Employers' Liability Act of 1880, an Act which, although still on the statute books, has in most industries been almost superseded by the Compensation Act of 1897. The Act of last session, extending the Act of 1897 to agricultural laborers, unlike the original Act was not a government measure. It was introduced by a private member; but the Government at an early stage gave it their support, and it became law without opposition, either in the House of Commons or in the House of Lords. The discussions on it in the House of Commons turned chiefly on the working of the Act of 1897; and they were remarkable as bringing out the fact that most of the apprehensions as to the heavy burden that would be thrown on

industry had been proved by three years' working of the Act to have been ill-founded. Sir Matthew White Ridley, the Home Secretary, stated that it had been found that the responsibility it threw on employers could be met by "a comparatively light premium of insurance"; and Sir James Joicey, one of the largest mine-owners in the great coal county of Durham, who opposed the Act in 1897, told the House that "many of the dangers anticipated at the time of the passing of the Act had not arisen." It was admitted in these discussions that there had been more litigation under the Act than was expected; for one of its aims was to do away with litigation like that which had from the first marked the Employers' Liability Act of 1880. But much of this litigation under the measure of 1897 was attributed to the way in which the Act was drafted, rather than to its inherent principles; and some of it to the action of the insurance companies which take over employers' liability. By the extension of the Act of 1897 to agriculture, its compensation clauses are made to apply to "the employment of workmen in agriculture by any employer who habitually employs one or more workmen in such employments." So framed, the extending clause makes an exemption for the small farmer, who only casually employs help in the working of his land.

In respect to the act for the better prevention of accidents on railways, it may be claimed as an instance in which legislation by Congress has afforded a precedent for British legislation. The purpose of the British Act is the same as that of the Act of Congress providing for the use of automatic couplers on railroads; and the British Act was passed on the recommendation of a Royal Commission which sent representatives to this country to investigate the working of the Couplers Act passed by Congress. It is, however, much more comprehensive than the Act of Congress; for it gives the Board of Trade extensive powers for making such rules as in the opinion of the Board will reduce or remove dangers and risks, incidental to railway service. "Where the Board of Trade consider that avoidable danger to persons employed on any railway," reads the enacting clause, "arises from any operation of railway service, whether that danger arises from anything done, or omitted to be done, by the railway company, or any of its officers or servants, or from any want of proper appliances or plant, they may, subject to the provisions of this Act, after communicating with the railway company and giving them a reasonable opportunity of reducing or removing the danger or risk, make rules for that pur-

pose." By rules so made, the Board may require the use of any plant or appliance, which has been shown to the satisfaction of the Board to be calculated to reduce danger to persons employed on a railway, or the disuse of any plant or appliance which has been similarly shown to involve danger. Should a railway company object to any rules to be imposed upon it by the Board of Trade, it is to have the right of appeal to the Railway Commission, the existing court by which a variety of railway questions are determined. Failure to comply with the Board of Trade rules is to make a railway company liable to a fine of fifty pounds for each offence, or in the case of a continued offence, to a fine not exceeding ten pounds for every day during which the offence continues after conviction. Where the requirements of the Board of Trade entail large expenditure, it is to be open to the railway company to furnish the Board with an estimate of expenditure, and thereupon the Board is to fix and determine the sum which is properly chargeable to capital account, and the company may issue debentures ranking *pari passu* with any existing debentures, and no other authority save the certificate of the Board is to be requisite to authorize and validate the raising by debentures of money to be so expended. Ordinarily, it should be added, a railway company, needing more capital, has to go to Parliament for the authority to make a new issue of stock. A new staff of inspectors is to be attached to the Board of Trade to carry out the provisions of the Act, and to make such experiments with appliances as the inspectors may deem expedient. Moreover, it is made incumbent on every railway company, to give all reasonable facilities to these inspectors to make experiments with appliances. The comprehensiveness of the Act may be judged from its schedule, which enumerates twelve details of railway working economy with respect to which the Board of Trade may make rules or specific orders, as the circumstances of the case or of the particular railway may demand. These details affect such matters as shunting and making up trains; steam or other power brakes on locomotives; and protection to permanent way men when relaying or repairing the permanent way. The Act, in brief, is one of the most stringent laws for the protection of labor passed by the late Parliament, or by any Parliament of recent years. It may be described as extending to the railway service principles long recognized in the mining code, administered by the Home Office and its corps of mining inspectors.

Since 1883, there has been a law, the Agricultural Holdings Act,

under which a tenant farmer on quitting his holding can obtain compensation for improvements which he has made. The principle of the Act of 1883 is that the measure of compensation obtainable from the landlord shall be the value to the incoming tenant of the improvements effected by the outgoing tenant. The law passed in the last session of Parliament extends the scope and simplifies the working of the older Act. In the amended law, there are schedules setting out the improvements to which the consent of the landlord must be obtained, if compensation is subsequently to be claimed; of improvements of which notice must be given to the landlord; and of improvements in respect of which neither consent nor notice is required. These schedules are interesting as illustrating the conditions under which farming land is held in England on yearly tenancies. The landlord's consent must be had to (1) erection, alteration or enlargement of buildings; (2) formation of silos; (3) laying down of permanent pasture; (4) making and planting of osier beds; (5) making of water meadows or works of irrigation; (6) making of gardens; (7) making or improving of roads or bridges; (8) making or improving of water courses, ponds, wells or reservoirs, or of works for the application of water power or for the supply of water for agricultural or domestic purposes; (9) making or removal of permanent fences; (10) planting of hops; (11) planting of orchards of fruit trees; (12) protecting young fruit trees; (13) reclaiming of waste land; (14) warping or weiring of land; (15) embankments and sluices against floods, and (16) erection of wire-work in hop gardens. Drainage of land can be undertaken after notice to the landlord; but chalking, clay-burning, liming or marlting of land, the application of purchased manures, or the laying down of temporary pastures with grasses can be undertaken without reference to the landlord, and when a tenant quits possession, he can claim compensation for these as unexhausted improvements, as well as for the improvements which he has made with the consent of the landlord. Under the Act of 1883, when an outgoing tenant made his claim for compensation, it was open to the landlord to make a claim against the tenant for dilapidations as an offset. If landlord and tenant failed to come to an agreement on the claim and counter claim, referees and an umpire were appointed by the county court to settle them. Under the amended law, these claims are to be determined by a single arbitrator. Landlord and tenant are to have an opportunity of coming to an agreement as to an arbitrator. In the event of their failure to agree, the Board of

Agriculture, a state department, is to name the arbitrator, who is to make his award within twenty-eight days, and whose award is to be final and binding upon the parties to the arbitration. Arbitrators are given power to call witnesses, and any person who wilfully and corruptly gives false evidence, is to be deemed guilty of perjury, and may be prosecuted and punished accordingly. When questions of law arise, the arbitrator is to state a case for the opinion of the county court, and the judgment of the court is to be final, unless, in accordance with conditions established under the Act, either party carries the case to the court of appeal. The principle of the law remains as in the Act of 1883. The importance of the amending Act lies in addition to the list of improvements for which a tenant can make claim for compensation, and in the simplification and cheapening of the procedure when landlords and tenants have to call in outside parties to determine the reasonableness of the claims and counterclaims, and when landlords have to raise money on loan to meet the claims. The passage of the Act through Parliament was conspicuously marked by the traditional alertness of the House of Lords in safeguarding landed interests. The bill originated in the House of Commons. When it reached the House of Lords there were additions to the schedule of improvements which a tenant cannot make without the consent of the landlord; and there was also added to the enacting clause a provision that in estimating improvements to the soil made by a tenant, no account shall be taken of what is justly due to the inherent capabilities of the soil. The policy of the Act is to encourage the investment of capital by tenant farmers in the development of scientific farming, by guaranteeing and making easier of collection compensation for improvements of which the benefit and advantage have not fully accrued to the outgoing tenant.

The amendment of the law in respect to persons carrying on business as money lenders establishes compulsory registration, and in certain circumstances gives the courts power to reopen transactions between money lenders and borrowers. The courts are to have this power when there is evidence that the interest charged in respect of the sum actually lent is excessive; or that the amounts charged for expenses, inquiries, fines, bonus, premium, renewal, or any other charges are excessive, or that in either case, the transaction is "harsh and unconscionable," or is otherwise such that a court of equity would give relief. The courts in any of these circumstances are empowered to reopen the transaction and take an account "between

the money lender and the person sued, and may, notwithstanding any statement or settlement of accounts, or agreement purporting to close previous dealings, and create a new obligation, reopen any account already taken between them, and relieve the person sued from payment of any sum in excess of the sum adjudged by the court to be fairly due, in respect of such principal, interest and charges, as the court, having regard to the risks and all the circumstances, may adjudge to be reasonable. A money lender within the meaning of the Act is a person "whose business is that of money lending or who advertises or announces himself, or holds himself out in any way as carrying on that business." Pawnbrokers, societies registered under the Friendly Society Act, loan societies, building societies, bankers and insurance companies do not come within the scope of the Act, and are consequently exempted from the compulsory system of registration which the Act establishes for money lenders. Under this system every lender of money to whom the Act applies, is to register himself as such with the Commissioners of Inland Revenue, "under his own or usual trade name, and in no other name, and with the address or all the addresses, if more than one, at which he carries on his business of money lender." A person so registered shall carry on the business of money lending in his registered name, and in no other name, and under no other description, at his registered address or addresses and at no other addresses. Failure to register or failure to comply with the Act will render a money lender, on conviction under the Summary Jurisdiction Acts, liable to a fine not exceeding one hundred pounds; and in the case of a second or subsequent conviction, to imprisonment with or without hard labor, for a term not exceeding three months, or to a fine not exceeding one hundred pounds, or both. In the case of offences by incorporated bodies, second or subsequent convictions may be punished by a fine not exceeding five hundred pounds. Prosecutions under the Act are not to be instituted except with the consent of the Attorney or the Solicitor General. The Act is the result of an inquiry by a Parliamentary Select Committee into the methods of business of advertising money lenders. Except for a protest in the House of Lords from the Earl of Wemyss, of the Liberty and Property Defence League, who deprecated such legislation on the ground that it was a return to thirteenth century conditions, when the usury laws were in the hands of the clergy, the measure encountered no opposition.

In municipal legislation, the session was made memorable by the

settlement of a controversy which had been going on in Parliament since the session of 1898, between the larger municipalities and a number of companies organized for the supply of electrical energy. In that year several companies which proposed to establish immense generating plants on the coalfields and to supply electricity for lighting and power over large areas of territory, applied to Parliament for the necessary powers. The large municipalities in these areas which had established or were contemplating establishing municipal plants, objected to the invasion of their areas by the power companies. The municipalities immediately concerned, as well as the Municipal Corporations Association, opposed the bills; and when one of them, which affected Sheffield, came before the House of Commons for third reading, it was rejected. As the principle at issue was the same in all the other bills, they were withdrawn by their promoters. In the last session of Parliament, electric power bills of the same character were introduced, and the point at issue between the municipal corporations and the promoters of power companies was again contested before a select committee of the House of Commons. The municipalities renewed their objections to the invasion of their areas by the power companies. But ultimately the bills were sanctioned by the committee, subject to the insertion in each of them of clauses embodying principles enunciated by the committee. These were set out in the following declaration: "A local authority which undertakes and is prepared to give a full and ample supply of electrical energy for all purposes to consumers within its district, ought not to be required to give facilities for the supply within its district of electrical energy by the other undertakers. But if a local authority is unable or unwilling to provide on reasonable terms and within a reasonable time, a full and adequate supply of electrical energy for any purpose to any company or person applying for the same within its district, such company or person shall be at liberty after notice to the local authority, to obtain their supply from other authorized undertakers, and the local authorities should be required to give all necessary facilities for this purpose. Any difficulty arising out of the above questions should be subject to arbitration as provided by the general acts." With these conditions embodied, acts were passed empowering the establishment by limited liability companies of generating plants on the coal fields of South Wales, Lancashire and Durham, and assigning to each company a large area over which its supplies of electricity can be distributed. In addition to these acts, applicable to large

areas of distribution, sanction was given by Parliament to a series of provisional orders, granted by the Board of Trade under the Electric Lighting Acts of 1882 and 1888, for the establishment of electric plants in small municipalities by companies. In each order, there is a clause fixing the maximum price to be charged for electricity; and a clause providing that at the expiration of fourteen years from the date of the order, and at the expiration of any subsequent period of seven years, it shall be open to the municipality to take the plant over from the company. Lands, buildings and plant and good will may then be taken over on terms to be determined by agreement, or in the event of failure to agree, at a price fixed by arbitration, the basis of the arbitration being the value of the existing plant. In the course of the session, a joint committee of the two Houses of Parliament sat to investigate the subject of municipal trading. The committee was appointed at the instigation of the London Chamber of Commerce, and other opponents of municipal trading, who had been agitating for such an inquiry since 1898. The proceedings of the committee, however, attracted comparatively little attention, as at the time it met, public attention was occupied exclusively with the war in South Africa. It cannot be said to have carried the question beyond where it stood when the committee was appointed; and its chief importance lies in the fact that its minutes of evidence embody much first-hand official information as to the extent and conditions under which municipal ownership has been developed. From this point of view the evidence of Sir Courtney Boyle, of the Board of Trade, is peculiarly valuable. It went into detail as to the ownership of gas and water works, electric lighting plants, and street car systems, by the municipalities of England and Wales, and embodied a survey of the policy of both Parliament and the Board of Trade for many years past, in respect to these municipal enterprises.

Only two noteworthy changes were made by statute in the elementary education system. By one of these amendments, school boards or school attendance committees in non-school board areas are empowered by their by-laws to fix the age up to which children in their areas shall continue at school at fourteen instead of thirteen, the limit of compulsory attendance fixed by the Elementary Education Act of 1880. By the second amendment, the penalty for breach of by-laws requiring the attendance of children at school, was increased from five shillings to twenty shillings. It was fixed at five shillings by the Elementary Education Act of 1876, the first

Act by which attendance at school was made compulsory. By a short act amending the mining code, the age at which a boy can be employed underground was advanced from twelve years to thirteen.

To the poor laws there was only one amendment. It is applicable solely to the removal of paupers from England to Ireland. Under its provisions, a person who has lived continuously for five years in England is not to be thereafter removable to Ireland under the acts relating to the poor. Furthermore by this Act, where paupers are legally removable from England to Ireland, it is to be in the power of the Board of Guardians in Ireland to whose union a pauper is chargeable, to make and give effect to an agreement that he shall be maintained by the Board of Guardians in England from whose union he is legally removable.

An amendment was made to the Companies Acts of 1862 and 1898, having for its object the checking of fraud in the promotion of limited liability companies. It makes much more stringent and onerous the conditions under which directors of new companies are appointed; compels the disclosure of contracts connected with the promotion of a company, in the prospectus inviting applications for shares; and makes more stringent the conditions under which the board of directors of a new company can proceed to the allotment of shares, and under which a new company can commence business or exercise any borrowing powers.

On Sunday, the 31st of March, 1901, the British census is to be taken. The conditions under which the enumeration will be made in England and Scotland are embodied in an act of thirteen clauses. For Ireland there is a separate act. The superintendence of the census in England is to be in the hands of the Local Government Board, the state department which has the oversight of the poor law; and the overseers of the poor and relieving officers of poor law unions are to act as enumerators. Occupiers of dwelling houses are to fill up schedules "with the following particulars and no others, namely, particulars showing (a) the name, sex, age, profession, or occupation, condition as to marriage, relation to head of family, birthplace, and (where the person was born abroad) nationality of every living person who abode in every house on the night of the census day; and (b) whether any person who so abode was blind or deaf, or dumb or imbecile or lunatic; and (c) where the occupier is in occupation of less than five rooms the number of rooms occupied by him; and (d) in case of Wales or

the County of Monmouth, whether any person who so abode being of three years of age or upwards, speaks English only or Welsh only, or both English and Welsh." In the week preceding the census, enumerators are to leave schedules at every dwelling house to be filled up by the occupier. On the following day, the census schedules are to be collected by enumerators, who are charged with the duty of completing such schedules as appear to them to be defective, and correcting such as they find to be erroneous. When so completed and corrected, enumerators are to copy the schedules, and each enumerator is to furnish a return according to the best information he is able to obtain of all the persons present within his district on the night of the census day, but not included in the schedules collected by him. Occupiers of houses who wilfully refuse or neglect to fill up schedules or make false returns, are made liable on conviction to a fine not exceeding five pounds; and any person employed in taking the census who, without lawful authority, communicates any information acquired in the course of his employment, is to be deemed guilty of a breach of official trust, within the meaning of Official Secrets Act of 1889. The Registrar General is empowered at the request and at the cost of any municipal council, to cause abstracts to be prepared containing statistical information with respect to a county, a borough, or a district, which can be derived from the census returns, but is not supplied by the census reports, which in his opinion the council may reasonably desire. A preliminary abstract of the census is to be prepared by the Registrar General, and printed and laid before Parliament within five months next after the census day, if Parliament be then sitting, or if Parliament be not then sitting, within the first fourteen days of the session next ensuing. The detailed abstract is to be laid before Parliament at "as early a date as may be found practicable." In Scotland the census is to be under the superintendence of the Secretary of State for Scotland; and sheriffs, sheriffs' clerks, chief magistrates, town clerks, and inspectors of the poor are to undertake the duties in connection with the census, which in England are in the hands of overseers of the poor and relieving officers of poor law unions. In Ireland, the Lord Lieutenant and the Chief and Under Secretaries to the Lord Lieutenant are entrusted with the superintendence of the census, which is to be taken by officers and men of the Dublin police force and the Royal Irish Constabulary. In Ireland, the census details are to include the religious professions of the enumerated inhabitants. When the English and Scotch bill

was before the House of Commons, there was a motion at committee stage for the taking of a religious census. It was proposed by Lord Hugh Cecil, a persistent advocate of Church of England interests in the House. It was opposed by non-conformist members, and in particular by the members from Wales, on the ground that such a census, unless it were based on communicant members of the different religious bodies, would be misleading, and that it was not worth while to create bitterness and acrimony for the sake of a return based on any less reliable test. The motion to add this to the list of questions embodied in the census form, which received no support from the Government, was rejected without a division.

The cost of the war in South Africa is being defrayed partly by increased taxation and partly by loans. According to a statement laid before the House of Commons by Sir Michael Hicks Beach, the Chancellor of the Exchequer, on the 5th of August, the war was then estimated to cost £69,323,000. Of this sum, £25,460,000 is to come out of current revenue, and £43,863,000 had been or was at that time about to be raised by loans. New or increased taxation to meet the increased expenditure was authorized by Parliament in March, in the Finance Act for 1900-01. The only new tax was a stamp duty of one shilling on contract notes covering transactions on the produce exchanges. An addition of one shilling a barrel was made to the duty on beer, an addition of sixpence per gallon to the duty on spirits; an addition of fourpence per pound to the duty on tobacco; an addition of sixpence per pound to the duty on foreign cigars; and an addition of twopence per pound to the duty on tea. The income tax, which since Sir William Harcourt's budget of 1894, has been payable on incomes over £160, and has stood at eightpence in the pound, was advanced to one shilling. As a means of reducing expenditure for the current year, Parliament also authorized the suspension of the payment of the national debt, a suspension which will reduce the expenditure by £4,640,000.

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The Classification of Monopolies and Combinations. Professor Richard T. Ely, in his recent work on "Monopolies and Trusts," devotes one chapter to "the classification and causes of monopolies." He finds that "what we need here, as elsewhere in the scientific and popular discussions of economic problems, is analysis, for the tendency in discussion of both kinds is to gen-

eralize too hastily." He further observes that the "classification of monopolies is not only based upon their causes, but reveals their causes." Of the seven classifications which the author offers for consideration, the second in order, based upon the source of monopoly power, is the most significant:—

A.—SOCIAL MONOPOLIES.

I.—GENERAL WELFARE MONOPOLIES.

1. Patents.
2. Copy-rights.
3. Public Consumption Monopolies.
4. Trade Marks.
5. Fiscal Monopolies.

II.—SPECIAL PRIVILEGE MONOPOLIES.

1. Those based on public favoritism.
2. Those based on private favoritism.

B.—NATURAL MONOPOLIES.

I.—THOSE ARISING FROM A LIMITED SUPPLY OF RAW MATERIAL.

II.—THOSE ARISING FROM PROPERTIES INHERENT IN THE BUSINESS.

III.—THOSE ARISING FROM SECRECY.

Ely makes the following clear distinction between the social and the natural monopolies: "A social monopoly is a monopoly which arises out of social arrangements, and is an expression of the will of society as a whole, through government, or of a section of society strong enough to impose its will on society. A natural monopoly, on the other hand, is a monopoly which rests back on natural arrangements as distinguished from social arrangements." Ely then compares his own important contribution to the work of classification with that of Senior, Lexis, Patten and Johnson, Jenks and Bullock. It may prove of value to continue the comparison still further and include the original and striking classification of combinations as given by Robert Liefmann in his work entitled "*Die Unternehmerverbände*.¹" It should be remarked at this point that Ely has, to use his own words, "expressed the conviction that combination itself cannot produce monopoly." Whether one agrees with the above conviction or not, there can hardly be doubt that a comparison of these two classifications, each the most searching

¹ *Die Unternehmerverbände*: Freiburg i. B.; J. C. B. Mohr, 1897.

from its own especial standpoint yet contributed by economic analysis, will prove both helpful and interesting.

Liefmann writes with German industrial conditions primarily in view, and consequently he sharply distinguishes the combination (*Verbände*), from the association (*Verein*) on the one hand, and from the company (*Gesellschaft*) on the other.

In his analysis of the combination, he first calls attention to the fact that with the introduction of a medium of exchange, all tradesmen naturally fall into two classes, viz., (1) sellers, and (2) buyers. Buyers as well as sellers form combinations and indeed the same group is at one moment in the one class and at the next in the other. Each individual and each economic group is constantly aiming to obtain the maximum profits. Under these circumstances Liefmann inquires, how does this constant effort to win the maximum profits operate when considered in relation to the three forms of exchange which Menger has enumerated in his "*Grundsätze der Volkswirtschaftslehre*." These forms are: (1) the sale of an indivisible quantity of a monopolized commodity; (2) the sale of a divisible quantity of a monopolized commodity; and (3) the sale of a divisible quantity of a commodity under competitive conditions. In the first case, the seller goes alone to the market and disposes of his goods to the highest bidder. Here the maximum price and the maximum profits are identical. As a term to designate this form of economic effort Liefmann suggests "price regulation" (*Preispolitik*). In the second case, the possessor not of an indivisible, but of divisible quantities of monopolized commodities, will naturally seek for the highest possible profits. He would fail in his purpose were he to put the whole amount of his supply on the market at once. Hence he places on the market at first only a small portion of the whole, then another small part, and so continues to adjust his offer to the demand as to obtain in the end the maximum profits. That is, he must adopt a rational policy of supplying the market. This policy Liefmann names a "regulation of the supply" (*Angebotspolitik*). Where one's goods are in the form of money, this would be termed a "regulation of the demand" (*Nachfragepolitik*). The third case is the more usual one. The competitors in the market prevent the seller of marketable goods from obtaining the highest possible profits. Hence arises the attempt to suppress competition and secure a monopoly. According to Liefmann's analysis there are two and only two methods of obtaining a monopoly: (1) state help, such as the protective

tariff, patents, etc. But, since a monopoly granted by the state is limited or may be limited either in extent of territory or duration of time, naturally sooner or later the competitors turn to (2) mutual help, or combinations (*Verbande*). Instead of destroying their competitors, the members of a combination associate with them. To secure a monopoly without removing the competitors from the field, is the essential characteristic of a combination.

The combination may serve any of the objects which the individual in a state of free competition is constantly striving for, viz., (1) the attainment of the highest possible price; (2) the possibility of a rational supply policy; (3) the creation of a monopoly for each contracting member, or it may be for each group of such. The work which a combination seeks to accomplish determines its form, therefore to correspond with the three lines of effort into which the work of economic groups has been classified above, there are three fundamental forms of the combination, viz.—

1. The combination for the purpose of a common price policy;
2. The combination for the purpose of a common supply policy (considered from the standpoint of the buyer, a demand policy);
3. The combination for the purpose of a common monopoly policy.

Since each of these three forms can be established by buyers as well as sellers, we have two classes for each form:—

A. BUYERS' COMBINATIONS. The combination of buyers serves only for the purpose of a common price and common demand policy. Combinations for the purpose of a common monopoly policy are rarely formed, since buyers seldom realize the existence of competition among themselves and therefore do not attempt to remove it. As buyers they are opposed to two classes, (1) the producer of the raw and partially worked material, and (2) the laborer. Against these they form combinations for both price and demand regulation.

B. SELLERS' COMBINATIONS. The combinations of the undertakers as sellers, Liefmann designates as "*Die Kartelle*." Combinations of this sort are formed to correspond with all three of the ground forms. But this purpose can be accomplished in either of two ways: (1) There may be a combination of individual members whose economic freedom is limited by the agreement in respect to a single point only, naturally for all in the same way, as for example, in the establishment of a price; (2) there may be a combination of the contracting parties in their collective capacity, through which

the agreement is effected and which then fixes the relation of the individual to the combination, as, for example, to establish the total output and then apportion to the individual his share. Liefmann calls a combination of the first sort a limiting combination (*beschränkende Kartelle*) because it limits the individual in his economic activity in a determinate point; the combinations of the second sort, sharing combinations (*verteilende Kartelle*), because they are formed by the whole body and the total production, the total demand or the total profits are shared by the members. The first is called a combination of the lower order, the last of the higher order, because the last requires the stronger organization. Both groups have three sub-classes according as they are formed for the purpose of controlling prices, regulating the supply or the creation of a monopoly. Hence the classification:—

I.—*Combinations of the Undertakers as buyers:*

- (1) against the laborer for the purpose of controlling the demand for labor and the rate of wages;
- (2) against the producers of raw material for the purpose of controlling the demand and prices.

II.—*Combinations of the Undertakers as sellers:*

A [lower order] Limiting syndicates

- (1) for the purpose of controlling the supply;
- (2) for the purpose of dividing the field;
- (3) for the purpose of fixing prices.

B. [higher order] Sharing syndicates

- (1) for the purpose of pro-rating the production;
- (2) for the purpose of distributing the orders;
- (3) for the purpose of distributing the profits.

A comparison of these two classifications makes it evident that Professor Ely has been largely influenced by American conditions, Liefmann by German. In Germany, agreements for fixing prices, controlling the market, or dividing the profits have been held to be legitimate contracts enforceable at law. In the United States, on the contrary, such contracts have not only been declared illegal at the common law but, in addition, have been the subject of stringent anti-trusts legislation in nearly one-half of the states of the Union. Consequently, while our anti-trust legislation has proved no bar to monopoly, it has changed the form of the monopoly. Our monop-

olies have taken the form of huge corporations, owning either the properties directly, or a majority of the stock of the constituent companies. The monopolistic corporation is both a buyer and a seller, and it will be noted, that it may thus combine in itself all the specific forms of combinations distinguished by Liefmann. At the same time it may have patent rights, enjoy the benefit of the protective tariff, control valuable trade marks, and receive railway discriminations, or other special privileges. In such a case it is bolstered up in its monopoly at all possible points. Competition thus is at the most only a remote possibility and Ely is analyzing this problem to find the "source of monopoly-power." He finds this basis in the social and natural environment under which our industrial corporations are conducted. Liefmann, on the other hand, is met at every point by trusts which apparently depend for their monopoly upon combinations with their competitors and, naturally, he endeavors in his analysis to discover the economic motive that induces the individual producer to enter into a combination with his competitors. This lure Liefmann's analysis shows to be the possibility of monopolistic profits.

A further consideration of the two classifications discloses the fact that the bases upon which the monopoly depends for its success are according to Ely's analysis, in most cases, artificial in their nature and usually of limited duration. Ely holds this to be true of the social monopolies, and it must be admitted the same is true to a certain extent of the natural monopolies. The secret may out; the nature of the business may change so far as its inherent properties are concerned, unless we assume, an hypothesis which is undoubtedly contrary to fact in the manufacturing as well as in the extractive industries, that it is a practical impossibility to arrive at the point of diminishing returns. There is always at least the possibility of discovering new sources of raw materials, and further, a consideration of great importance in modern industry, of devising effective substitutes. On the other hand, monopoly profits are a permanent possibility; consequently the motive that lures consolidation is a permanent one. The tariff may be abolished by a change of public sentiment, monopoly profits will forever continue to lure the small as well as the great captains of industry to forget their differences and join hands to secure the larger returns made possible by consolidation. Hence, while the possibility of monopoly profits constitutes a lure of sufficient power to ensure rapid industrial progress, a permanent industrial monopoly based

simply on combination is rendered impossible unless prices are maintained below the competitive level. If the monopoly based upon combination attempts to realize its goal, viz., monopoly profits, new competition is stimulated in order that others may share in these exceptional earnings. Perfect freedom of association in all its forms must at the same time constitute the surest guarantee of the industrial progress, and the surest barrier to industrial monopoly.

And finally it is evident that our national as well as our individual ideas as to the character of industrial legislation necessary at the present time must depend largely upon whether we emphasize in our theoretical analysis the source of monopoly power, or the motive that leads to the consolidation of competing interests. If we accept Ely's analysis as complete in itself, we must necessarily conclude that monopoly, wherever it exists, rests upon certain legal, social, or natural privileges, all of which may be destroyed by appropriate legislation. Patents, copyrights, etc., may be abolished; natural monopolies may be acquired by the state and leased for short terms or operated directly by the government. Consequently one who believes that all monopoly rests upon either a social or a natural basis, especially if he believes, as many do, that monopoly in private hands is indefensible either politically or economically, will inevitably be led to adopt a policy of anti-trust legislation toward the social monopolies on the one hand, and of state socialism toward the natural monopolies on the other. If instead of assuming that Ely's classification is adequate to account for all species of monopolistic trusts, we admit with Liefmann that the prospect of monopoly profits is a sufficient lure to overcome the obstacles to consolidation,—the centrifugal forces in industry,—in many cases and at least during periods of some length, such a change in our theoretical views must affect the whole character of our trust legislation. We shall under these conditions look upon the trust as a normal development of the modern industrial system, to be regulated rather than to be destroyed or absorbed by the state. While we shall demand that special favors, whether granted by the government, or by other organizations, be discontinued so far as compatible with industrial progress, we shall be much more inclined to rely on competition rather than restrictive legislation to protect ourselves from the evils of monopoly.

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Competition of Waterways and Railways in the Netherlands.¹ Under the direction of the Chamber of Commerce of Ruhrort there has been published a treatise, entitled, "The Lower Rhine as an avenue of commerce for the import and export trade of Rhineland and Westphalia, in competition with the Prussian and Netherland railways; with especial reference to the trade of the Rhine ports, Ruhrort, Duisburg and Hochfeld." The author regards the present as an important turning-point in the history of Lower Rhine shipping.

On Aug. 10, 1899, the Dortmund-Ems canal was opened to traffic. Its object is to render the export and import trade of Rhineland and Westphalia independent of outside countries, i. e., to divert it as much as possible from the Lower Rhine. For this purpose the harbor at Emden has been developed to meet the needs of a larger commerce, as a terminal of new lines. It is merely a question of time when connection with the Rhine will be established. A question arises concerning the future of the ports of the Lower Rhine and Ruhr. The writer thinks they have little to fear at present; "trade that is brought into being by such new communications is much larger than that which is diverted from existing ways of traffic, and the commerce of the Lower Rhine is still susceptible of great extension." The most important aspect of the question is that dealing with the railroads; they should assure the interior country better and cheaper transport to the waterways.

The author traces the development of import and export trade of the Lower Rhine; he first discusses the competition of railway and waterway during the period of private ownership of railroads. During this first period the transportation of the three great companies rose from 882,200 tons in 1850 to 2,271,500 tons in 1870 (about 2,500 per cent.), while transportation on the Rhine augmented only from 630,486 tons in 1850 to 2,104,218 tons in 1870 (about 350 per cent.). From 1865 to 1879 the trade of the three railroad companies rose from 14,278,000 tons to 40,725,300 tons (183 per cent.), while the trade of three large shipping companies on the Rhine increased from 209,000 tons to 282,700 tons (35 per cent.)

But the development of the railway companies was not without its good effects upon the river shipping; the latter was spurred on to a greater activity, better material was used and the stream was put into better shape. Wooden ships with small capacity were

¹ *De Economist*, June, 1900, 49ste jaargang.

superseded by large iron barges; in the period 1850-1860 the capacity of the wooden boats was on the average about 292 tons and that of iron boats about 893 tons. In 1898 the largest iron barges had a capacity of over 5,198 tons (average 1,645 tons).

In the seventies transportation per ship on the Rhine developed much faster than rail transportation. The total freight traffic of the German railroads in Rhineland and Westphalia was, in 1885, 49,023,776 tons, and in 1898 96,472,951 tons (an advance of 96 or 97 per cent.). The total trade on the Rhine rose in the same years from 4,944,878 tons to 13,196,707 tons (176 per cent.)

The writer shows that competition of railway and waterway exists in the very nature of the case, and how this militates for the common weal so long as both use like weapons. Application of a system of unequal rates by the railroads tends to destroy this healthy state of affairs.

This competition is followed up under the new German system of state railways and under the action of so-called seaport-tariffs, instituted in favor of the North Sea ports. The rivalry of Bremen and Rotterdam is mentioned especially as a great factor in the reduction of freight rates in the early eighties. To divert German products to German ports, a reduction of 20-40 per cent. was sometimes made.

The author concludes that the railroads have injured the waterways, not so much by low rates as by high junction tariffs. It is well known that proportionally higher freight rates must be paid over small distances than over larger, especially when the railroad transports goods for the Ruhr ports. The writer thinks the country back of the Lower Rhine ports could be developed so that no difficulty would exist in the way of low tariffs; but he looks for little aid from the state railways of Germany in this project. The Rhine trade must depend upon its own resources; the stream should be deepened to about 13 feet below Keulen, the tributary streams should be improved in order to get at goods without the aid of the railways. If the traffic of the river could be combined under one management by a kind of "kartel," the writer thinks that enough could be saved to render considerably lower river freight rates profitable.

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The Dutch Merchant Marine (*De Economist*, June, 1900). The Dutch have become uneasy over the fact that their flag is coming to play a rather unimportant part in trade with the East Indies (see *De Economist* for Jan. 1900). National shipping develops energetically enough in the Archipelago itself, but does not keep pace with the advance of other nations in the external trade (see *Indische Mercuur*, jaargang 1900, blz. 218).

The question is raised as to how this state of affairs can be best met and bettered. The general answer is to "bring into the business more general traders and to cover the routes along which Indian products are being carried under foreign flags." The two existing companies, De Rotterdamsche Lloyd and Nederland should be further developed: they should make connections with Bombay and other ports of British India, and stations should be located in Zanzibar and elsewhere along the shores of the Indian Ocean. Much trade might thus be diverted to the steamers of the Netherlands. The present share of the Netherlands in the trade through the Suez Canal is about 2 per cent.

Even more important would be a direct freight line from the Indies to North America, return being made either directly or via Europe. The trade to the United States is "gigantic." The following table of exports from Java to America is given, the year selected being a typical one:

1900	Tons sugar (Total for 12 months, 594,079)	Tons coffee	Tons damar	Bundles of hides.
January	232	46	35	
February	214	30	89	
March	214	66	68	
April	...	88	60	
May	152	53	332	
June	...	40	266	
July	199	98	225	
August	...	43	467	
September	...	7	15	
October	...	47	331	
November	33	73	54	
December	7	36	514	

Several smaller items must be added: 110 bundles cinnamon, 27 tons tobacco, 14 tons tin and 3 tons capoc (short cotton).

Exports from Padang to North America are carried for the most part on Norwegian sailing vessels. Dutch ships of 2,220 tons net should run at least monthly. The so-called Paketvaart in the interior trade of the Indies has been of great importance in the

development of Dutch shipping, in the profitable location of Dutch capital and in the employment of young machinists, etc.

These three companies, the Lloyd-Nederland, the Paketvaart and the projected American line should work in harmony for the development of Dutch shipping. If the regular Suez-boats do lose a small part of their carrying trade because of the new line, they can make it up by carrying the tapioca meal now carried by foreign ships. There is room also for the Dutch in the trade in Java rice; figures for this article are given:

	Nov. 1899 tons.*	Dec. 1899 tons.	Jan. 1900 tons.
In Dutch ships	588	790	613
In German ships	980	852	850
In English ships	276	1169	111

* In sacks = $\frac{1}{2}$ pikol = 67 lbs.

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Wages in Copenhagen. The Nationalökonomisk Tidsskrift (3die Hefte, 1900) reviews "Arbejdslönnen i Köbenhavn med Nabokommuner i Aaret 1898" (Köbenhavn, 1900, Lehman and Stage) by Cordt Trap. The method of investigation has been modelled on those of 1882 and 1892, but has been much more complete. In 1892 questions were addressed chiefly to foremen and large employers; in 1898 chiefly to organizations, both of laborers and employers. Use has been made of special minor investigations conducted by the organizations themselves. Answers have had to do with wages, work-time, Sunday labor, annual income, etc.

For journeymen the average daily wage is \$1.02, the average piece-wage (weekly) \$7.40. The latter form of payment is more common (55 vs. 45 per cent.). For common workmen and for women, corresponding figures are: workmen, \$0.82; \$5.85; women, \$0.44; \$3.13. Apprentices receive an average daily wage of \$0.24. Rise in wages since 1892 is for journeymen 15-19 per cent., for common workmen 18 per cent., for women 15 per cent.; the rise has not been a steady one. As to over-hours and Sunday labor, the general tendency is toward restriction.

Several figures are given, showing the number of idle days per man; days lost because of military service are not counted: members of unions of smiths and machine-laborers, 10 days of idleness (1898); book-printers, 20 (1897); house-carpenters, 55 (Nov., 1897-Oct., 1898).

Tables for annual wage eliminate the confusion of the day and job wage, and show the following figures: Journeymen, \$318.60; common laborers, \$247.05; women, \$135. A twelve-hour working-day with ten hours effective labor is the commonest arrangement. Several trades show the following figures on wages:

	Daily Wage.	Annual Wage.
Masons.....	\$1.08	\$326.70-348.30
Carpenters	1.08	370.44
Builders.....	1.27	364.50
Typographers (all together)		344.52
Printers		318.06
Setters		327.24
Leaf-printers		387.45
Leaf-setters.....		408.51
Shoemakers—factory....	.89	270.00
hand.....		189-216
Dyers.....	.98	
Turners.....	.95	
Furniture-makers	1.08	

In some of these cases, irregularity of employment considerably affects the average wage.

On the whole the picture is one of a strong economic advance for almost all classes of the laboring population,—a witness to growing strength and soundness in the life of labor. The investigation proves the non-existence of a lower class of labor which is forced down by organized labor so as not to share in the economic advance.

Taking \$324 as the average annual wage of a laborer with a trade, it is seen that of 7,500 journeymen, 243 (3½ per cent.), in seven different trades, receive under \$162, while 190 (2½ per cent.), in 19 different occupations, receive over \$486. Thus about 6 per cent. of the skilled laborers have incomes diverging more than 50 per cent. from the normal.

The writer wishes a series of monographs to be written, which shall deal with individual laborers and shall go more into detail.

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Swedish Nobility. "Sveriges Adel" (Förste Delen: Atternas Demographi Lund, 1898), by P. E. Fahlbeck, is reviewed in the Nationalokonomisk Tidsskrift, 3 die Hefte, 1900. This is a study in the life and decline of the noble classes and may be regarded as history or sociology. The first volume, now appearing, contains a

number of facts witnessing to the decline of the several noble families.

This decline is thought to be due to natural causes, not to the artificial one of war. Mortality and average life-period of the noble families are discussed. The author regards their disappearance as due to celibacy and to declining power of propagation. Families that died out in the fourth generation show in the first four children per marriage, in the third, 2.6, and in the fourth not over $\frac{3}{4}$ ths. Celibacy shows a corresponding increase; in a series of four degrees the second and third have one celibate for three grown men, the fourth two. The number of childless marriages increases from degree to degree; 11, 17, 21 and 62 per cent. Since a family is genealogically dead when there are no male children, the proportion of the sexes also enters here; in a series of four generations, the second showed five boys and four girls, while in the fourth this proportion was reversed.

Prof. Westergaard, who reviews the work, asserts that Fahlbeck has not considered sufficiently the multiplicity of causes nor the presence of deeper-lying causes. He claims that much of the decline, apparently due to pathological conditions, is explicable under the laws of probability. The causes of the deaths of *individual* members of the various families should be thoroughly investigated. This, he hopes, will be done in the next volumes.

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BOOK NOTICES.

Government or Human Evolution. Justice. By Edmond Kelly, M.A., F.G.S. N. Y., Longmans, Green & Co.—1900, 8vo, xi, 360 pp.

The rather unusual title of this book is on the whole apt and affords a key to its contents. The author was led to attribute the difficulty of securing good government in New York city to disagreement over fundamental principles, particularly as to the nature of justice. These he proceeded to investigate in the light of evolution with the result that he finds restraint or government to be the most characteristic fact of human evolution and justice the essential end of government.

The work thus falls into two rather distinct divisions, one historical and scientific dealing with the origin and evolution of government, the other philosophical being an analysis of the idea of justice.

The first book, upon Nature, is an admirable discussion of natural law and natural rights, with the conclusion that "there is such a thing as a law of nature; there is no such thing as a natural right; these last two words taken together are as inconsistent as the words 'round square.'" The author distinguishes nature from art, as follows: "the word nature cannot consistently be admitted to include the conscious effort of man to subdue nature whether intellectual or moral."

The author next discusses the doctrine of evolution as the "one law of nature which underlies and envelops our political systems." This is preliminary to the consideration of the true relation of nature to government. Progress is secured through evolution of more and more complex forms out of variation, struggle, adaptation, selection and the survival of selected individuals. The process is frightfully cruel and involves degeneration rather than progress wherever the environment is unfavorable.

Is humanity subject to this law throughout? The answer is, no. Man freed himself by his capacity for conscious effort.

Man became an animal that sometimes acted in opposition to his physical needs, and the struggle was softened until, ultimately, the very principle of struggle was attacked. Life was moralized. History becomes intelligence swayed by religion. Climatic selection is changed in import as man by effort created his

own climate. Similarly the selective effect of competition with other animals became different as man triumphed over his animal rivals and even made them his slaves. Between man and man the struggle is not now for life, but for wealth, and the weaker are no longer eliminated, just as the weaker nations are in a measure respected.

Among human beings sexual selection resulted in monogamy involving self-restraint and "moral qualities which are engaged in creating a moral environment—the result no longer of a natural process, but of one that is human and, as the religious idealist would add, divine." In short, man has by the institution of a monogamous marriage reversed the order of nature. If such has been the power of effort with the imperious sexual passion, what further results may we not hope for?

The author next considers the operation of evolution upon the human environment. Two environments are distinguished; a primary "created by every community for itself" and a secondary composed of the relations to other communities. Within the former there is "practically nothing left of that survival of the fit so characteristic of natural selection, because there is little or no destruction of the unfit."

The force that replaces the survival of the fittest in our civilization is wealth. "The influence of wealth on type is paramount. The selective agent in our modern civilization favors not the strongest, nor the most intelligent, nor the most moral, but the type which has the faculty for making and keeping wealth." This is the new environment under which human nature is developing at a slow, yet relatively rapid rate.

The relation of government to this environment is next discussed.

Those communities have survived "which have combined self-restraint in marriage and self-sacrifice in politics." Both involve conscious effort in contrast with the methods of unconscious nature.

The measure of success attained by ancient governments was due to intelligent state intervention. In this idea of organized effort is found the essence of government.

The second part of the work, on "Government," is only a development of this thought. "Human government is purposive, not merely instinctive. It is the result of intellectual effort, not that of mere habit; and it is intellectual effort engaged in making its own environment, and no longer the unconscious result of the environment furnished by nature." *Laissez faire* is regarded as a failure of effort and a relapse into a condition of nature.

The author sees that the organic theory of society is fatal to his position, and accordingly devotes a chapter to its overthrow. Society is not essentially a growth, but a product of human art. It is therefore chiefly the result of a process of construction.

This brings us to "Justice," which is defined as equality. "The act of justice itself is the struggle, the effort to make the inequality of nature bear as little hardly as possible upon her victims." Yet the inequalities to be remedied are not after all natural inequalities since they are not due to heredity, for not only are men "born unequal, but they must continue to be born unequal or no improvement can take place. In other words, it is vital to the interest of the race that the environment be such as to tend to the birth of better types; and so long as better types are produced, these better types, being superior to the rest, must make natural equality between men impossible." The remediable inequalities are due to the "non-natural causes of inequality, the greatest of which is wealth." Justice is then "the struggle or effort to diminish in human relations the cruelty and inequality which characterize social relations in nature. Inequalities of wealth, inequalities of education, inequalities of marriage and the industrial inequalities which result from these three."

The book is in short an historical and philosophical plea for collectivism or a large amount of state interference. The fundamental fault of the work is that the idea of justice is not inductively derived from the facts presented. It is the ghost of a buried natural right. It is true that government is more or less conscious and involves effort, but this is not at all to say that this effort has been or is directed toward securing equality. That it should be directed toward such an end is quite another matter—an assumption important enough to require proof. It is further forgotten that most of the efforts to ameliorate unfortunate conditions and to secure a maximum amount of opportunity to each individual originate in personal initiative and cannot be appropriated as a function of government. Again, the idea of justice offered is self-destructive. The personal individuality—the measure of variation—expressed in hereditary endowment and approved by Mr. Kelly is itself the ultimate expression of ancestral conditions, which are largely of a material nature; just those inequalities which he condemns and proposes to level. When the chief causes of variation are removed will variations persist? The comparative uniformity of the savage mental and physical type is the answer.

The book is rightly a glorification of effort, but if history teaches anything, it is that equality is destructive of all effort, unless it be the effort of a collectivist state to maintain its tyranny. Admitting certain distinctions between natural evolution and human evolution (or between the lower and higher ranges of evolution), we are unable to admit that the fundamental laws of the former are inverted in the latter. For untold ages creatures have struggled to be unequal, i. e., better than their fellows, nature aiding the attempt, and now at the end of it all comes the ideal gospel of forced equality! Wealth is not non-natural, but merely one of the modern forms through which fitness expresses itself. It develops and expresses personality. Then there are other forms of expression, more varied than ever before, which are entirely neglected by the author.

In detail a great many statements are open to criticism, particularly those expressing the manifest bias against individualism.

Mr. Kelly's work is, in spite of all to the contrary, an able one. In his style there are many charming suggestions of the Platonic dialogue—perhaps too many for the clearness of his thought—and he is always interesting.

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La Protection Ouvrière au Japon. Projet de Loi et Enquête Personnelle. Par Saïto Kashiro. Paris, 1900—pp. 188.

This book is an analysis of proposed Japanese labor-legislation by one who has himself studied the subject closely as a member of labor commissions and the like. The general plan of the treatise is that of a commentary upon the several articles of the proposed law; in discussing their applicability and timeliness a general sketch of Japanese labor and factory conditions is given. The whole is written in simple, straightforward style, with abundance of interesting facts and figures, and constitutes a valuable addition to the general knowledge of Japanese labor and industries.

The chief characteristic of Japanese labor in the past has been its subserviency to the almost absolute domination of the employers. The innate submission of the working classes prevented rebellion, even under the most trying circumstances. This the author calls the Chinese system of labor, and he says it is now passing away. Thus far there has been little supervision by the state; it was believed that state-interference would place the country, with its under-developed industries, in a position of even greater economic inferiority, and that the alleged cordiality of relationship between

employer and employed would be destroyed by an attempt to regulate rights and juridic relations. The writer regards these reasons as far from weighty, and says that such affectionate relations between master and man exist only in theory. The number of small industries and the difficulty of inspection, however, do render state-regulation particularly onerous and hard to accomplish.

It is noted that contracts are arranged for the most part by word of mouth. These contracts are often broken by the flight of the laborers; the latter are unused to regular work on machines, and speedily tire of it. They leave their positions to enter a different trade or are attracted to other establishments by the offer of higher wages. There is much knavery in this proceeding, especially on the part of the intermediaries, who make a business of securing such alienations; all sorts of subterfuges are employed to give legal plausibility to such desertion. The results have been generally disappointing to the laborers, and a strong prejudice has arisen against all recruiters of labor. Severe laws have been passed to do away with this irregularity.

Provisions for assuring health and wellbeing to the employees are quite insufficient. A temperature of 110° F. is common in the shops. Child-labor is met with everywhere, and is justified by the excuse that it keeps the young out of vice. Under the proposed law, no child under ten years of age can be employed in an industrial establishment (exceptions being allowed in special cases), and no child under fourteen is to be employed over ten hours a day. Only 60 per cent. of the young children attend school, and do not work. Education is poor and insufficient, and instruction is given at night, when the long labor-day (average, 12 hours) is over, the edict of 1881 orders that children shall attend school for eight years (from 6-14 years of age), but it is disregarded.

In case of accident, payments are made, but the laborer's right is very incomplete and poorly guaranteed. Payments are small; \$15 and burial (costing \$3.50-\$15) seem to be the maximum in case of death in Osaka. Societies for mutual aid are good because otherwise than by their agency it is hard for workmen to get medical attendance at all. Hygiene is never assured; the laborers are ignorant of the most elementary of hygienic principles. The total expenditure for hygiene in all establishments of any size is given as \$6,202,620.

One yen (\$0.50) seems to be the highest wage paid—to men of the first class; women and children of the first class receive respec-

tively one-half and one-quarter of this sum (in cotton-mill in Kanégafutchi). Small premiums are paid for regularity and other desirable qualities in employees. To prevent desertion of laborers a system of employee's cards has been instituted; there is a great deal of labor, verification and red tape generally connected with this, leading to much idleness and loss of wages. It is a restriction to the natural competition of growing industries.

Wages are paid generally once or twice a month; two or three times in six months certain workmen receive an increase of wages—never, however, of over 10 sens (\$.05) per diem. Little saving is possible on such wages; besides this, the people have no habits of economy. They squander their wages in gourmandizing. A system of so-called obligatory saving has been put into operation whereby three-sixths per cent. of the monthly wage is laid aside for the laborer, drawing five-tenths per cent. interest. The workman cannot draw this amount until his term of contract is completed, and here emerges the true character of the system; its real object is to retain a hold upon the laborer so as to force him, under penalty of confiscation of his savings, to remain at work and to submit to strict regulations. The writer regards this as a covert attack on the system of property right. A voluntary system also exists (one in each cotton-mill) but it does not flourish; \$4,585 savings of 951 persons for the year 1897 are reported in Kanégafutchi and \$120 for 212 in Hirono. Recompenses are balanced off by penalties; the latter are said by the author to be especially regular in their incidence. The apprentice-system even now demands a long novitiate (three-five years); most apprentices do not stay out their time, but desert as soon as they have acquired a smattering of their trade, and hire out as workmen.

There follow regulations regarding industrial establishments, their location, noise, provisions against fire, accident, etc. These differ in different provinces, as there is no fixed national law on this subject. The system of workmen's barracks and "cities" is briefly discussed; the movement is in favor of the latter. Inspection is not very efficacious, having been in the hands of the Commissioner of Police, a man very busy in his proper vocation; the new law proposes to place it under the Minister of Agriculture and Commerce. Penalties upon employers are not severe for violations of provisions regarding factories, etc.; the highest fine noted is \$100.

On the whole, Japanese labor is almost helpless in the hands of the employing class and needs special protection.

A. G. KELLER.

Railroad Operations: How to Know Them. By J. Shirley Eaton, Statistician of the Lehigh Valley Railroad, New York. The Railroad Gazette, 1900—pp 313.

Mr. Eaton, who in the course of a varied experience as a railway officer has had abundant opportunity to become acquainted with the matters of which he treats, has written a book which cannot fail to be of great value to railway men. It is a study of the application of statistical methods to the current investigation of railroad business from the point of view of those who have been charged by the owners of those properties, with the duty of administering them in such a way as to secure a satisfactory return upon the capital invested. It is a comprehensive and detailed statement of the daily practice, and, better still, of the daily aspirations of an officer who wishes to secure for his branch of the service the highest possible utility. The work will unquestionably have a permanent and authoritative place in the limited literature to which practical railway men turn for instruction.

From the point of view of the academic student of transportation, it has a different but none the less a definite value. It covers the entire range of railway activities, so far as these can be expressed numerically, and has the appearance of having been compiled, without much rewriting, from notes and memoranda made during the intervals in daily routine by an active railway officer. As such, it displays to the student a picture of the practical aspects of the transportation industry that can scarcely be obtained elsewhere. It is not easy reading for those without railway experience, for the writer has made constant use of the technical terminology of his profession and frequently presupposes an amount of practical knowledge that few outside of it possess. The extreme condensation is something of a difficulty. There is an occasional indefiniteness of expression that is undesirable and there are other blemishes of style, all of which tend to obscure the meaning and detract from the real value of the work. Nevertheless the student who, in spite of these obstacles, will master this work will be amply repaid, not only by the practical knowledge of railway methods that he will gain, but by obtaining also a clearer appreciation of the point of view of those who administer railway properties.

One of the strongest features of the book is the clearly indicated appreciation of the limitations of statistics and the futility of attempting to determine, by its method, questions wholly beyond its scope. The criticism of some of the statistical statements that

are frequently required under current railway practice is direct and convincing. As examples of accurate and clear interpretation of important conditions with regard to which there has been a good deal of misunderstanding, the following are introduced:

"There are conditions under which any freight may at some time be considered competitive; The difference between the more and the less competitive business is in the imminence of this competition as a direct acting force and not a mere potential quantity. The least competitive business is that which permits the widest margin of variation in the rate without affecting the volume of business."—pp. 9-10.

"Retrenchment is of two kinds—that which is real and that which borrows from the future To the manager, his embankments and cuts, his ties and bridges, rails and buildings are a bank where he has accumulated a usefulness extending well into the future. To these he may go and draw when his credit in the money market is low."—p. 45.

There are many other passages that are equally concise and suggestive. It is impossible in a brief review to present even an outline of so comprehensive a work, but a single chapter may be selected which shows Mr. Eaton's work at its best and at its worst. For this purpose the chapter entitled "Earnings Classification," pp. 262 *et seq.*, is selected because the subject treated is among those most familiar to students. This chapter was clearly intended to present some general suggestions concerning the classification of earnings, which, in the judgment of the author, will best enable the railway manager to determine whether rates are profitably adjusted. In reality it goes much further and outlines the author's theory of the criteria of reasonable charges. The first paragraph contains the following in regard to the traffic manager's classification of freight:

"In his classification, expense of handling, distance, and insurance theoretically entered as factors. But, practically, insurance and expense of handling entered only in such a crude way that it may almost be said that they did not enter at all. Even distance itself was very much disregarded."

The foregoing is Mr. Eaton at his best and shows how, at times, he can brush away cobwebs that have vexed railway managers during the whole history of the steam locomotive, and have been not much less an impediment to students.

A little later, in the same paragraph, Mr. Eaton writes:

"The theory of classification is that all the articles in each class involve the same cost to handle and the service performed is of equal value to them all."

Here is a flagrant misuse of the word "theory"; a reversion to the idea of separate costs which the author has done much, elsewhere, to dispel; a doubtful use of the term "value;" and a generalization that, with the most lenient interpretation, is far too broad.

The author's theory of charges is the time-honored what-the-traffic-will-bear theory which is held by railway men generally and to which in its proper form nearly all students return in effect, even though they prefer to call it the "socialization of rates," with Professor E. R. Johnson, or the "theory of public utility," with Professor H. C. Adams. Mr. Eaton's statement of this theory and his analysis of the conditions which make such a system of charges the best practicable are worthy of commendation. He is less happy when he suggests, possibly without intention, that there can be no unjust discrimination unless "direct" costs vary, and it is difficult to see much force in the statement that the bases of rate-adjustments may generally be traced back to the costs of more primitive transportation. It is misleading, also, to say that:

"After the direct expense has been paid back it is a matter of indifference to the railroad what may be the basis for getting back the fixed charges, so long as it rests on fairly stable conditions."

This statement ignores the fundamental interest of the railway in the future development of the industries of the regions contiguous and tributary to its lines, an interest which is recognized by every enlightened railway officer and is frequently accorded a controlling force in determining rate-adjustments.

H. T. NEWCOMB.

Census Office, Washington, D. C.

Die Sozialdemokratischen Gewerkschaften in Deutschland seit dem Erlass des Sozialisten Gesetzes. Von Dr. Phil. Josef Schmöle, Privatdozent an der Universität Greifswald. Zweiter Theil: Einzelne Organisationen. Erste Abtheilung. Der Zummererverband. Jena, Gustav Fischer, 1898—8vo, vii, 300 pp.

The first volume of Dr. Schmöle's work on the Socialistic Trade Unions of Germany appeared in 1896 and was noticed in the *YALE REVIEW* for Nov. 1897. That part of the work supplied a general introduction to the subject, tracing in broad outlines the progress of the movement, especially since the passage of the Socialist Law of 1878. It is the author's plan to issue a series of special volumes, of which the present one is the first, upon the individual unions, and

to conclude the work by a general summary of results. This plan, while it insures thoroughness, has the disadvantage that the earlier parts of the work are quite liable to be out of date before the final summary appears, since the movement is in a constant state of flux and it is difficult to foresee what its developments may be from year to year. The advantage of a record of the fortunes of the unions in the separate trades is that we can trace more clearly their dependence upon the changing conditions of business, a dependence which is very marked in the carpenters' unions.

The statistics of occupations in Germany tell us that the number of independent employers in the building trades increased from 1882 to 1895 by $21 \frac{1}{10}$ per cent., while the number of dependents, that is of employed, increased during the same period by 34 per cent. This shows that the building trades have shared in the general tendency of production towards concentration, though perhaps in a less degree than those occupations which are subject to the factory system. Indeed the change in the organization of the trades has been very marked. Ninety years ago the person for whom a building was to be constructed bought and supplied the materials and employed workmen to do the work. Then there arose a class of contractors who themselves supplied the necessary capital and undertook to complete buildings for the owner. A third stage followed in which buildings were put up, not to order, but as it were for the market; builders now erected houses on speculation, supplying all of the capital without knowing who was to be the ultimate owner and selling the finished building as best they might. This might seem to encourage still more the growth of capitalism in the building trades, but in fact it has had rather the tendency to preserve the smaller contractors, because the speculating builders, whose principal aim was cheapness, could do better by employing unknown and irresponsible builders rather than large firms who would, out of regard for their reputation, hesitate to put up a badly-constructed house. In many cases the nominal builders were in reality but the tools of capitalists who supplied the money; they were thus pressed on both sides, being obliged to meet their obligations towards the capitalist on the one hand and, on the other, to meet the demands of the workingmen for better wages. This condition of things naturally increased the danger of wage disputes, which was also aggravated by the uncertainty of trade conditions, and the danger of a sudden change from a period of great activity to one of depression.

The general organization of the German carpenters began in 1868 by the formation of a general association in Berlin. After various vicissitudes and the merging of this association in another formed in 1876, the socialistic law passed in 1878 dissolved all associations with socialist leanings. For a time there was no general union. The carpenters of Berlin began to agitate for higher wages in 1881 and formed an association of their own. A strike which they undertook in 1883 resulted disastrously and made them feel the necessity of a broader union. This was formed in 1883 by twenty-seven delegates from forty-one cities, who met in Berlin and voted the formation of the Verband Deutsche Zimmerleute. It is unnecessary to follow in detail the vicissitudes of this organization. From the beginning there seems to have been more or less discord among the leaders. An attempt on the part of the management to check the exuberance of the Magdeburg branch in order to prevent it from violating the ministerial order regarding strikes, and thus bringing the whole organization within the clutches of the police, led to the formation of a rival association in 1887. For several years these two existed side by side, though the opposition, which was based upon a looser form of government, was always weak. In 1890 the two rivals decided to make peace and to again unite in a single association, which has existed with few changes of organization since that time. It has had its ups and downs according to the state of trade, a period of dullness such as existed from 1889 to 1891 resulting in a falling off of membership and of funds, while a period of trade activity such as existed from 1895 to 1897 led to an influx of new members, successful strikes and general prosperity. One great difficulty, however, with which the association has had to contend from the beginning is the fact that being avowedly socialist, there is a perennial strife as to whether it shall be mainly a political or mainly a trade organization. The tendency has shown itself to emphasize more and more the political side, hence as compared with the English unions comparatively small sums are expended for the benefit features, which are insignificant, and most of the income goes to the support of the organ and the maintenance of strikes. The association is, however, not a very large one. Its greatest membership at the time at which the book was written did not exceed 18,000 out of a total of about 155,000 working carpenters in the German Empire. The significance of such a union does not, therefore, lie in its own strength but rather in the general movement of which it forms

but a part. One feels in reading the book of Dr. Schmöle that thus far a finished type of socialist union has not yet been produced, and that the German *Gewerkschaften*, harassed as they have constantly been by the police and torn asunder by the bitter personal feuds of their leaders, are still in a state of fermentation and that it is not possible as yet to pass a final judgment upon them. The reader should also not forget that the whole work deals with the *Gewerkschaften* or socialist unions only, and does not include the *Gewerkvereine*, or trade unions of the English pattern.

H. W. F.

Das Aufsteigen des Arbeiterstandes in England. Ein Beitrag zur socialen Geschichte der Gegenwart. Von Hans von Nostitz, Legationsrath im Klg. Sächsischen Ministerium der auswärtigen Angelegenheiten. Jena, Fischer, 1900.

There are good reasons, as the author of this book observes in his preface, why students of the social problems of this century should seek their material in England. That is the country where the modern economic organization first reached its full development, where the social and political results of this development first commanded attention, and where the fullest record exists of the failures and successes in the attempts to meet the new conditions. Readers of German must be impressed with the amount of work that German scholars have done in the history and criticism of conditions in England, and must admire the skill and patience that have enabled them to achieve so many brilliant successes in their invasion of a foreign field. The present book is worthy to take a place in the line, and to hand down the tradition of good German work. It will not rank as a great book, it stands in a class distinctly below that to which Held's unfinished essay belongs, but it is an able and independent study, and to both Germans and English will be useful even though it is not indispensable.

The eight hundred pages of the book include the topics that the title would lead us to expect; the material conditions of the laboring classes throughout the century (money wages, time of labor, strikes, ability to find work, housing and other points affecting the question of real as opposed to nominal wages), associations of laborers (trade unions, friendly and coöperative societies), and legislation affecting the relation of laborers and employers. Then in the first part of the book (to page 224) are chapters on subjects less directly connected with the field indicated by the title, one on the political constitution

and its development, based largely on von Gneist, and several chapters on education. These last illustrate the merits and one of the faults of the book. The chapter on elementary education is extremely well done. A clear idea is given of the present organization of the primary school system, with all its complications caused by the existence together of private and public, religious and lay instruction; the present organization is explained by tracing it back to its origins in the early part of the century, and an appreciation of the progress made is combined with a criticism of the weaknesses still existing. The chapter on popular movements in education (university extension, university settlements, the Working Men's College, etc.) is well done too, and is appropriate. But there seems to be no excuse for the inclusion of much in the chapter on higher education, given up to a description of the life of the upper classes in the large public schools and at Oxford and Cambridge. The book was really written at different times and for different purposes, parts of it for lectures for the *Gehestiftung*, and parts for insertion in newspapers and reviews more or less serious in character. It has been worked over to a considerable extent, but still shows a lack of unity in its composition, and the different chapters tend too much to take on the character of unconnected essays.

The authorities followed are set forth in a nine page list that serves as a bibliography, and are discussed in a brief special chapter; they are not referred to in the foot-notes to support specific facts. They range all the way from Blue Books and documents of the Labour Department of the Board of Trade to the sketches of Richard Harding Davis, and the stories of Mrs. Ward and R. C. Lehmann. Considerable use is made of original material, especially that of recent date, but it is largely for the purpose of illustration, and the author follows in the main the lines laid down by previous writers (the Webbs, de Roussiers, Brentano, von Schulze-Gaevertz, Booth, Haw, etc.), simply setting their conclusions off against each other and checking them by occasional reference to the more important sources. The lighter literature, represented by the examples cited above, is used with tact and discretion. It should be noted that the author spent half a year in England, studying from life the conditions and institutions about which he writes, and the book gives evidence that the time was well applied.

The plan of the work can be illustrated by reference to the chapter on trade unions, which covers about eighty pages. There is first a discussion of the aims professed and realized by existing unions,

then follow a description of their organization and a sketch of their history. About thirty pages are devoted to a criticism of their workings, and of the relations of members to different classes in the outside world. The chapter closes with a review of legislation that forms an excellent brief history of the attitude taken toward the unions by the public authority. The author is not always so successful in the difficult task of summarizing a long series of laws, and is apt to run into too much detail when the ground has not been so thoroughly prepared for him by the work of others.

The most interesting chapter in the book is the last, in which the author reviews the progress made by the working classes, and generalizes from the facts that he has presented. The three conclusions on which he lays the greatest stress are the following: that the poor, so far from growing poorer according to the theory of Marx, have gained, and gained most in the classes that were once the poorest (textile workers and miners); that the progress is a sum of contributions made at many different times and from many different sources; finally, that this progress has been influenced but not determined by the economic development, and that the rise of the laboring classes, though attended by class conflicts, has not depended upon them. The opposition to the materialistic doctrines of the German socialists is apparent. The three agents (*Hauptträger*) of the progress of the lower classes he finds in the government, in the associations of laborers, and in the upper classes. Of especial interest is the influence ascribed to members of the upper classes, who are shown to have been of the very greatest importance in the political and social development of the past, and of whom the author makes one of the main factors in the problems of the future.

The book is provided with a table of contents, of satisfactory fullness, but ill supplied with page references. The publisher's work is well done; the worst fault is the misspelling of English proper names, Marschall, Burn Jones, Loyd Jones, Tindall, (Sir James) Steffen, etc.

CLIVE DAY.

Yale University.

War and Labor. By Michael Anitchkow. New York: Longmans, Green & Co., 1900—8vo, xii, 578 pp.

The author in the early pages notes that there are two tendencies in modern life. One of them is in the increased preparation for war, which was never so great as at the present day among the

nations of Europe. On the other hand, there is the larger cooperation between nations in the fields of science, fine arts and means of communication. From both of these tendencies there is drawn an argument for the abolition of war. One is that war will kill war: that the expense will gradually become so great and the loss of life so fearful owing to inventions in weapons, that it will be practically out of the question to resort to armed strife. On the other hand, it is claimed that cooperation will proceed until at last war will be no more. It is not likely that war will be abolished simply because the effects of it are bloody. "War will disappear in the same way as slavery disappeared, not from causes that depend very little or not at all on the human will, but from the effects of conscious efforts made with a view to eradicating from contemporary life much that at present breeds and nourishes enmity among civilized nations."

Various schemes have been advanced that are to bring the reign of universal peace. Diplomacy, congresses, embargo and peaceful blockade, but above all arbitration, have been in turn thought to solve the problem, but all are doomed to failure. Much has already been done to lessen the horrors of war, but selfishness rather than enlightened humanitarianism is at the basis of these attempts. The formation of an international tribunal to settle all disputes is not likely to appear for some time, and if established now would fail from lack of power to enforce its decrees.

Wars will occur no more from disputes as to dynastic succession, to preserve the balance of power, from racial or religious differences, but rather must we look to territorial disagreements and trade rivalry. Tariff regulations and immigration laws are continually causing ill-feeling, and we must not hope for continued peace before these are abolished. "Free frontiers" is then the watchword of the volume, and with this in view the growth of the idea of free trade is traced in considerable detail. What revenue is needed could be gained from stamp-taxes and excise, while the cordon of tariff stations could be abolished.

The author is convinced that the doctrine of Malthus is entirely wrong, and that there is no longer any danger from over-population, since he sees that in time all nations will come to the condition of France to-day with her stationary population. Listen to his words: "The actual law of population may be expressed thus: With the attainment of relative welfare, with the development of education, and the strengthening of individual freedom, the population of every state has a tendency towards a slow yearly decrease." Yes, rather

than believe in a rapidly increasing population, would he voice this melancholy prophecy: "The future of mankind is pictured, not in the form of a gigantic struggle for existence of milliards of people, but in the sad lot of the last man, who, gathering together his vanishing forces, sets the symbol of Redemption over his grave, which no one will be left to close for him."

The strongest portion of the work is where the obligation of the government to the workman is considered: that the stability of the monetary unit must be preserved, and the property rights of all of the people guarded. From the fact that the communication-rent continually increases, it is argued that the government should purchase all of the railways within its boundary. He outlines a plan by which this could, in his estimation, be done with little inconvenience to the state treasury. But, not content with this inauguration, he advances to a conception which, to say the least, is somewhat radical. He would have a legal maximum placed upon the amount of real estate which it shall be allowable for any one man to hold. Those who possess more than this amount shall sell the surplus to the state, which shall then divide the property into small parcels to be rented to the poor. Moreover, no one in the future shall be allowed to acquire more than the maximum allowed by law. He thinks the change to this system could be effected with little difficulty. The result of this would be greater happiness and an increased population, although earlier in the work we see that the population of all states is bound to decrease.

The historical portion of the work, which comprises, possibly, a half of the volume, is of especial interest, and shows Mr. Anitchkow to be a man of wide sympathies. The frequent references to the United States are generally accurate, but exception must be taken to his history of paper money in this country prior to the Civil war, since he would lead us to think that the system of New York State was generally adopted throughout the country. The proof-reading was generally evidently carelessly done. The following sentence will prove this. "Hedley in his Railroad Transportation said that freights were lower in the United States than anywhere else, and on the average were one and a quarter per cent. per ton mile."

WM. B. BAILEY.

Yale University.

Charlemagne (Charles the Great). H. W. Carless Davis. New York and London: G. P. Putnam's Sons, 1900.

The series of Heroes of the Nations has waited long for its biography of Charles the Great or Charlemagne—perhaps the delay was due in part to the difficulty of selecting one of these names for the title, when the choice of one was bound to provoke criticism, perhaps abuse, from the adherents of the other. Mr. Davis has put both names upon his title page, which is probably the best way of meeting the dilemma. In much the same fashion he has met another inevitable difficulty, that of deciding just what nation it is that is entitled to lay claim to the great ruler. In the sub-title he is denominated "The Hero of Two Nations"; if advocates of the exclusive rights of either are not satisfied with the share thus conceded to them they will find still less comfort when they reach one of the closing passages of the book. "He was not a Frenchman; he was not a German . . . He belonged, in fact, to no nation of modern growth, but to the only nation which, in his day, deserved the name, to that nation in which local and racial differences were suppressed or transcended,—to the nation of the Catholic Church . . . The civilization which he fostered was catholic, like his religion, and the patrimony of Christendom at large."

The author's plan, as announced in the preface, is to give an idea of the Emperor's personality and of his influence upon European history, restricting the discussion of institutional developments to the points most directly connected with his career. All of the three elements of the book indicated in the plan receive fair treatment, but the author seems to have put most of his pains on elucidating political history in which Charlemagne was an actor; his relations with the rulers of the Lombards and the Bavarians, the motives for his expeditions into Spain and against the Avars, his relations with the Pope, including the vexed questions of the renewal of Pepin's donation and of the imperial coronation,—all these are discussed in considerable detail. They are difficult questions, and the considerable place that they take up in the book makes it suited to the use of advanced students rather than of beginners. Though the author does not make the discussion of these questions as interesting as the other parts of his book, he does inspire confidence in his ability to handle them. He appears to be conversant with all the more important primary and secondary authorities, and has a thorough appreciation of their relative values. He shows a decided talent in giving color to his story by quotations from letters and from later

legends. He writes with his eye on the object, free from conventional bias. The Frankish town was "a network of filthy narrow lanes, swarming with beggars" (p. 39); the Christianity taught to the Saxons was "a dry collection of dogmas and anathemas. Its preaching was composed of invectives against the old worships; its catechism of barren formulae" (p. 105); the Slavonic tribes were not a part of the Empire but merely a "sphere of influence" (p. 208); the capitularies were "a medley of scattered suggestions, reflections and commands," and not one-tenth of them were ever put into execution (p. 221). Sometimes the reader is struck by a word or a phrase which is not familiar in American usage: for example, span (past of spin), deteriorate (used as a transitive verb), "the more part are." As a rule the style is simple and agreeable. The illustrations are abundant, well chosen and well executed; the source of each is given, as it should be. There is one map of Europe in black and white, and there are small maps of the various countries in the Empire, but these are very sketchy as can be seen from the location of towns in the map of Brittany (opp. p. 264). The book is provided with contents, index, genealogy and chronological table.

CLIVE DAY.

Yale University.

*Das Sparen, Sein Wesen und Seine Volkswirtschaftliche Wirkung.*Dr. Karl Freiherr v. Manteuffel. Jena, Gustav Fischer, 1900—
pp. 147.

Dr. Manteuffel's monograph is a critical discussion of the theories of savings. By savings, the author means (p. 4) the creation of new capital through abstinence. He quotes (p. 6) as aptly expressing his conception, the words of Adam Smith: "Parsimony and not industry is the immediate cause of the increase of capital. Industry indeed provides the subject which parsimony accumulates. But whatever industry might acquire, if parsimony did not save and store up, the capital would never be the greater." He devotes the second part of the thesis to an elaborate excursus into the psychology of savings, distinguishing three motives: the ethical motive (p. 31), saving from temperance; the native motive (p. 32), saving from instinct, and the economic motive (p. 34), saving from desire of profit. Throughout this discussion, the writer is in open agreement with Roscher, whose influence is here as elsewhere very apparent by the frequent foot references to the "*Grundlagen der Nationalökonomie*" .

mie." The third division is by far the most valuable part of the work, treating historically the various theories of savings. He traces minutely and in a scholarly style the development of the underconsumption theories from the publication of Bernard de Mandeville's *Fable of the bees*. Melon, Forbonnais, James Steuart and Sonnenfels as well as Smith, Maitland, Proudhon, Blank, Vidal, Herkner, Kirchmann and Hertzka figure in this historical sketch. He especially criticises the views of Herkner (p. 68) and Kirchmann (p. 83), and in general all the underconsumption theories (p. 94), denying (p. 100) the possibility of overcapitalization. The essay closes with a positive *Sparpolitik*, warmly advocating all of Roscher's proposals to encourage saving among the poorer classes of the people. Two features, especially emphasized, are the postal savings bank system, and the plan of the graded interest-rate, decreasing in amount with increased size of deposit and thus establishing a differential in favor of very small savings.

The one defect—almost impossible to avoid in a monograph of this sort—arises in isolating the subject of saving from the general theory of population with which it is so vitally intertwined. More saving on the part of the poorer members of society means after all less nourishing food, more ill health and the accompanying higher death-rate. Many will doubtless feel that the dictum of the Italian is unanswered, that the best savings bank for the laboring man is his stomach.

JOHN PEASE NORTON.

Yale University.

RECENT LITERATURE.

The translation of Professor Ladislas Zaleski's monograph on the philosophy of objective law into French under the title "Le Pouvoir et Le Droit" (Paris, Librairie C. Reinwald, 1899), not only puts within reach in brief compass the views of the more important writers on the philosophy of law, but in addition serves to remind one, first, of the work already accomplished by the Russian writers on the theory of law, and second, of the insignificant position now occupied in the philosophy of law by the once dominant theory of "natural rights" and of "natural law." In the historical part of the work, the author treats critically the historical school of law as affected by evolutionary utilitarianism of the school of Ihering, but dismisses from consideration the theory of "*droit naturel et d'autres théories metaphysiques . . . car leur caractère erroné a été suffisamment établi dans la science.*"—a striking commentary on the present position of that principle of law, which in the hands of Grotius and his disciples contributed so much toward the development of International Law, and again in the hands of Locke, Rousseau and others to a revolution on two continents. The work consists of three parts: (1) an examination of utilitarianism as the basis of law, as developed in the writings of Bentham, Mill, Spencer, Darwin and Weissmann; (2) a critical history of the two leading schools above mentioned from the time of Savigny's "*Beruf unserer Zeit*" (1814) to the present time, together with summary statements of the views of the principal writers on law, of the English, French, Italian, and Russian schools; and (3) a detailed statement of the author's views which he names "*'une théorie générale utilitaire évolutioniste du droit.'*" The author has given his chief attention to the doctrines of the German jurists who, as Lightwood shows, have failed to distinguish or see the desirability of separating the domain of morals from that of law. It is not strange, therefore, that M. Zaleski, failing to understand or appreciate the work of the analytical school of jurists, concludes that "*la réunion de deux domaines -de la morale et droit -c'est l'idéal auquel nous aspirons.*"

Dr. John R. Commons, under the title "Representative Democracy" (New York: Bureau of Economic Research), has collected a series of essays contributed to various publications to which he has added two others that appear here for the first time. The central theme of the work is well expressed in the title. Dr. Commons has dis-

covered the reason for the so-called failure of democracy and is ready with a remedy. His remedy is, in a word, the representation of interests rather than of majorities. Each group of interests with unity of purpose sufficient to organize a party would, under the author's plan, be entitled to its share of representation in the legislature. This is to be supplemented by the initiative and the referendum, in order that any group above a certain size may propose legislation, or may call for a vote on any act approved by the legislature before it takes effect. The fundamental defect of all of Dr. Commons' devices is that they depend for their efficacy, not upon men but upon machinery. We already have the referendum largely in use in connection with the ratification of constitutional amendments in many of the States. The strikingly small per cent. of voters who care to express their convictions on such occasions is a continual warning to those who depend, primarily, upon any other method of improving our political life than that of elevating the *morale* of the citizens.

The American Academy of Political and Social Science has published (McClure, Phillips & Co., New York, 1900) the addresses delivered at its fourth annual meeting under the title "Corporations and Public Welfare." The series of addresses are grouped under four heads: I. The Control of Public-Service Corporations; II. The Influence of Corporations on Political Life; III. Combination of Capital as a Factor in Industrial Progress; IV. The Future of Protection.

The Academy, in its last two annual meetings, has reached a standard of excellence which it will find difficult to maintain, and other similar organizations to surpass. The strongest group of papers is, undoubtedly, that which is given the position of honor in the text. Of these Professor Gray's, on "The Control of Gas Companies," is at the same time of the greatest popular interest and of the highest scientific value.

The series of papers on the "Combination of Capital" are in economic value distinctly below those read at the annual meeting of the American Economic Association at Ithaca, in December, 1899; from the practical side, however, they must be rated of at least equal importance. Mr Dill, whose practical experience with corporations gives his words peculiar weight, has developed a new dictum by which the industrial progress of the future is to be judged, viz., "The industrial movement must stand or fall by the proposition whether industrials are or are not to become an investment for the

small capitalist." This is worthy to be put beside Professor Sidney Sherwood's statement in his address before the American Economic Association at Ithaca, New York, December, 1899: "The successful management of legitimate industry means adequate wages and dividends, no less than lowered prices to the consumer. It is the ability to maintain the proper balance between these three forces which will decide the ultimate fate of the trust as a form of industrial organization." The character of the speakers, representing as they did both economics and politics on the practical as well as the academic side, emphasizes the fact that in the face of our new and exacting problems in industry, finance and government, we are likely to see in the future a greater solidarity of interests accompanied by a much more active coöperation in their solution.

Professor A. Garelli of Turin in his "*Il Diritto Internazionale Tributario*" (Turin, Roux Frassati e Co.) has undertaken the development of a hitherto neglected phase of private international law—that relating to taxation. The migration of capital and capitalists, residence of wealthy people abroad and the circulation of capital across national boundaries raises many perplexing problems of taxation. In this first part of his work he discusses the general theory of the taxation of such property by the states which have a chance to strike it if they choose to do so. The forms of such taxation whether direct or indirect, on income or expenditure, its incidence, and the status of the persons whether resident foreigners or citizens living abroad, are all fully discussed. A later installment will examine the actual practice of modern states in dealing with this problem.

The eighth number, dated 1900, of Neefe's "*Statistisches Jahrbuch deutscher Städte*" contains the usual carefully prepared tables and well digested text on a large variety of topics connected with city life as well as new material on the finances of German cities and on the liquor traffic. It would be difficult to suggest any improvement in form or any additions to the now complete array of subjects covered by the year-book. A full subject index to the first eight numbers, 1890–1900, is appended to the volume.

"*Die Entwicklung der Preise des Städtischen und Ländlichen Immobilienbesitzes zu Halle (Saale) und im Saalkreise,*" by Dr. Carl Steinbrück (Jena, Fischer, 1900, Conrad's *Sammlung nationalökonomischer und statistischer Abhandlungen*, X) gives the results of a careful study of the changes in the price of city real estate and farm land in a small district of central Germany during the past

century. The results are presented in perspicuous tables, which offer material for numerous interesting deductions. Of these the most apparent is the relatively rapid increase in the value of urban as compared with that of farming land, though the latter has increased sevenfold since the first two decades of the century.

Under the catching title of "America's Economic Supremacy" (The Macmillan Co., New York), Mr. Brooks Adams has grouped a series of essays on what may be styled the symptoms of the present state of the world. A wide range of historical reading is drawn upon for much hazardous generalization about the past and a good deal of ingenious guess work about the future. The latter may turn out to be penetrating forecasts, but at present, in view of the slender evidence, they are far from convincing and with the generalizations will not appeal to the serious student. "English Decadence in the West Indies," for example, is studied without taking into account the abolition of slavery or the varied make-up of the populations of the different islands. The essay on "Natural Selection in Literature" is a most interesting and suggestive study of the working of social forces in literature by a comparison of Scott and Dickens as the exponents of militant and industrial society.

Apart from occasional brief extracts in the newspapers, the American reader has had little opportunity to see with others' eyes the course of events in the Philippines. For this reason as well as for its high sincerity, Mr. Richard Brinsley Sheridan's "The Filipino Martyrs" (John Lane: The Bodley Head, New York) should have a wide reading. Mr. Sheridan is an English lawyer, and if our conjecture be not amiss a grandson of John Lothrop Motley, who was in Manila shortly before and during the outbreak of hostilities. His record is that of an eye-witness, warmly sympathetic with the United States in the Spanish war, but equally warmly opposed to our policy in the Philippines. As he believes it is supported through a misconception of the situation, he is at special pains to show that the Filipinos are a civilized people among whom he found "men of refinement and cultivation." The most valuable chapters are those describing his visit to Aguinaldo and the night of the outbreak of hostilities.

The widespread sympathy of liberal minds with the people of Finland last year in their peaceful resistance to practical absorption by Russia led to the sending of a delegation to the Czar bearing a petition signed by over a thousand names of distinction in politics, science and literature asking for a reconsideration of the decree of

Feb. 15, 1899. One of the members of this unofficial embassy from liberal Europe, Professor Van der Vlugt of Leyden, has written a most interesting account of the deft and courteous baffling of their efforts to secure an interview with the Czar (*Pour La Finlande. L'Humanité Nouvelle.* 15 Rue des Saints-Pères, Paris). There are also some vivid sketches of the leading Russian ministers and a pathetic picture of the universal sadness in Finland over the impending loss of their traditional rights. With this pamphlet Professor Van der Vlugt also publishes a critical examination of the Finnish question (*Le Conflit Finlandais, envisagé au point de vue juridique*), consisting of a study of the personality and ideas of Pobyedonostseff the ruling spirit of Russia, and an impartial presentation of the Russian and Finnish cases with a general review of the whole. Russia could not have a happier moment for bringing to a successful issue this enterprise of imperialism than when the two foremost champions of liberty in the world are engaged in projects sufficiently similar to deprive sympathy or protests proceeding from them of all influence.

Mr. James H. Hopkins' "History of Political Parties in the United States" (G. P. Putnam's Sons, New York) gives in an impartial narrative the superficial aspects of our party history without any penetrating analysis and with little evidence of extended study. One is surprised to learn that "in the early days of the Republic, the country was not disturbed by questions of the tariff or of the currency." The Whigs as a party are introduced several years before the name was adopted. The appendix contains the party platforms in extract or in full from 1840, the Virginia and Kentucky resolutions, and a table showing the popular vote in the last four elections. The serious student will find little that is instructive or suggestive in Mr. Hopkins' pages.

The number of "source books" recently published and announced is a striking testimony of the interest awakened in the methods of teaching history by the discussions of the last few years. One of the most comprehensive of those manuals giving both constitutional documents and illustrative extracts from contemporary writers for the whole period of English history comes from the hand of Dr. Guy Carleton Lee, Johns Hopkins University (*Source Book of English History*, Henry Holt & Co., New York). In addition to the documents and extracts, the editor has performed a useful service in presenting a list of the sources of English History. He overestimates, however, the completeness of this list and its accuracy

leaves something to be desired. Among the most important omissions are the failures to record the Italian "Relations," except the scanty one on the England of Henry VII, and the Reports of the Hist. MSS. Commission. There is also a lack of references to the critical discussions of the sources, like those in Lappenberg-Pauli, Busch's England Under the Tudors, Ranke, and Gairdner's Early English Chronicles. The Calendars of State Papers are said to begin with the reign of Henry VIII (p. 11), the note on the *Acta Sanctorum* is inexact, as is also that on the Granvelle Papers where the *Correspondence du Card. Granvelle* is included in the French *Docs. Inédits*. On page 31 the Eng. Hist. Review is called the English Historical Magazine and the same mistake is made in referring to the Am. Historical Review. Misprints in names, too, occur not infrequently. In short, one cannot help feeling that in the rush to get the book on the market the editor has not allowed himself time for either a high degree of accuracy or completeness. The beginning of the Tudor Period with the year 1509 (p. 225) will perhaps confirm this impression.

In the body of the work Dr. Lee seems to have exercised good judgment in selecting from the mass of materials available. Yet one may be allowed to question whether the interests of the day should secure sixteen pages for the Boer question when Canada does not receive a page.

The second volume of Bishop Hurst's "History of the Christian Church" (Eaton & Mains, New York), although it comes down to the present day, is mainly devoted to the precursors of the Reformation, the Reformation and the Counter-Reformation. Students will find the voluminous bibliographies a serviceable guide to the recent secondary literature (down to 1899) of the field. The service, however, would have been greater had the lists been winnowed and the space taken up by antiquated secondary authorities been allotted to brief lists of the sources. Not that these are entirely neglected, but the attention given to them is occasional only. In his method, Bishop Hurst reminds the reader of Schaff. The narrative portions give evidence usually of the study of the recent important monographs. That such an oversight as calling Charles V the nephew of Maximilian, p. 168, should get into the text and stay there is perplexing.

Cenpuis, by Gabriel Giroud (Schleicher Frères, Paris), gives an account of the pedagogical experiment of M. Robin at the Orphelinat Prévost, at Cenpuis, and the assault made upon them by clericals

and conservatives, which is in a high degree interesting and instructive. The work is enriched by more than forty photogravures. From the same publishers come a volume of essays and addresses by Professor de Greef, entitled *Problèmes de Philosophie Positive*, written with the author's usual vigor and clearness.

Mr. Spofford's "A Book for All Readers" (G. P. Putnam's Sons, New York) may be warmly commended to all who are buying books and forming libraries. His chapters cover nearly every topic of interest to the librarian and the book owner and are packed with pertinent information, valuable suggestion, entertaining observations and bookish anecdotes. The chapter on Bibliography is especially well adapted to guide students beginning research to the necessary helps in their work.

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THE
YALE REVIEW.

FEBRUARY, 1901.

COMMENT.

Queen Victoria; The Ship Subsidy Bill; Reactionary Democracy; Fraternity Among the Socialists.

THE death of Queen Victoria, which closes the longest reign in English history and the most important period of material progress which that country has ever witnessed, naturally suggests a comparison between her reign and that of Queen Elizabeth. There are many external, almost accidental, points of resemblance. Both had as ministers members of the Cecil family; both witnessed enormous advances in commerce and manufactures; both lived in the midst of great intellectual activity, although different in character. But these facts were in a sense external to the queens themselves; neither can be said to have more than indirectly influenced the conditions of economic and mental progress. If we compare their own individualities the most striking contrast is shown in the single fact that Queen Elizabeth passed into history as the "Virgin Queen," while Queen Victoria is mourned by three generations of her own blood. Queen Elizabeth felt obliged by the peculiar bitterness of the religious controversies of her time to sacrifice her affections and the possibility of a family life to the demands of state-craft. If she married a Protestant the Catholics would oppose her; if she married a Catholic the Protestants would withdraw their support; and thus safety seemed to lie in celibacy. The result of that policy of compromise, almost of indecision, was seen in the next century when the Stuarts came to the throne

through the failure of direct heirs, and brought with them the civil wars and disturbances of the much vexed seventeenth century. Queen Victoria was not put before the dilemma of her great predecessor, though she might easily have hesitated to assume the burdens and responsibilities of family life in addition to those of sovereignty. In the fact, however, that she not only married but was blessed by a large family of children and thus fulfilled the functions of a wife and mother, is found the secret of the most important political power which she exercised, that of a peace-maker. A constitutional sovereign in England has a comparatively small influence upon home legislation; but the close relationship of the Queen to sovereigns and princes of European states has been and still is a powerful means of preserving the peace of the world.

Queen Elizabeth, considered simply as a queen, was gifted with a more powerful intellect and more robust temper than Queen Victoria, but she left England a prey to factions, because she was a queen only and not a wife and mother as well. In the case of Queen Victoria, it is largely because she was a good wife and mother that she was a great queen. She has thus not only been a powerful influence in favor of peace, but she has helped to change the position which monarchy as an institution occupies in the politics of the world. We have been obliged in the past to attribute many of the wars to disputes about successions and to the ambition for personal aggrandizement of sovereigns. It is not impossible that many such wars may arise in the future, but at the present moment the function of monarchy seems to be that of restraining rather than stimulating international hatred and commercial rivalry. It was an emperor of Russia who called the nations of the world to the Peace Conference at The Hague; the Emperor of Germany is the only public man in his country who has done anything during the South African war to neutralize the intense hatred and contempt of England shown by his people. The Queen herself is known to have been opposed to this war, and on several other occasions to have thrown her influence strongly in favor of peace. In spite of the traditions of a constitutional monarchy in which the sovereign reigns but does not govern; in spite of the addi-

tional limitations which her sex imposes on a queen, we have in the life of Queen Victoria a splendid example of the beneficent public influence which a woman may exercise without directly engaging in the formal work of politics.

The agitation in favor of the passage of the Ship Subsidy Bill by the Congress marks a new phase in the already variegated history of American protective legislation. The claims of the industries that in former years were effective in shaping tariff legislation have for the time being been quieted. Either the existing tariff of 1897 has satisfied their demands for government aid, or the present business activity has minimized the importance of that aid. The iron and steel industry has lost its interest in the tariff, and even the textile industries have been unusually quiet in Washington. A new set of claimants upon the bounty of the government has appeared in the persons of the representatives of the various industries concerned with the merchant marine. And just as in earlier times the various claimants for tariff favors had to learn the hard lesson of pulling together with their demands, so the various industries concerned in the Subsidy Bill have been making enormous, but up to the present writing fruitless, efforts to combine on a common line of action and agree on common demands.

The history of our tariff legislation is marked by the attempts of the wool-raiser and of the woolens-maker to join hands in demanding protection for their industries. These attempts have often succeeded notwithstanding the inherent difficulty of convincing the wool-raiser that he was the gainer by raising the price of woolens, and the woolens-maker that he was benefited by a rise in the price of wool.

A similar conflict and combination of interests appears in the present attempt to extend the protective principle to the merchant marine. The shipbuilder and shipowner have joined hands in pushing the measure, but however it is amended in detail, they find it difficult to convince each other that its leading provisions are advantageous to both sides. The shipbuilder wants government aid for an industry, the importance of which to the country

at large he seeks to impress on all; the shipowner may believe in its importance, but does not care to assume the burden of encouraging American shipyards. The shipowner from his standpoint quite openly asks for government aid for an industry which he is ready to prove is unprofitable at present, but which he urges is essential to the public welfare; and the shipbuilder loses his interest in the project, but is aroused again when it is proposed to meet the desires of the shipowner by admitting *foreign-built* ships to American registry and to the privileges of the subsidy.

In another direction the Subsidy Bill has followed well-established precedents of our tariff history. Appeals to patriotic motives in passing the measure have been made, which have had great weight, as has always been the case in protective legislation. But the more the bill was framed to secure for the government the services of fast cruisers in time of war, the fewer friends did it have among the shipowners, whose ships of moderate speed would be of no use to the government as auxiliary naval vessels, and would, therefore, be treated with scant courtesy by the subsidy.

In still another direction does the project for a ship subsidy parallel the familiar tariffs of the past, namely in the appeal made on behalf of the American farmers and wage-earners. The farmer is said to be interested in the subsidy as a means of assuring him lower freight rates upon his produce; and the American seaman is said to be demanding protection, especially in view of the important role he is to play in manning our men-of-war in our next war. This argument has not been given great prominence so far, though evidently the friends of the measure long to secure the support of the farmers if not of the workingmen.

The difficulty of combining the various elements interested in the policy of government aid to the merchant marine seems well nigh insuperable, but the history of our tariff shows how successfully a single well-organized interest will bring into line discordant ones and hold them together in the support of a policy that cannot be advantageous to all parties concerned.

Every careful observer must have noticed many points of resemblance between the caste system of India and certain tendencies of modern trade-unionism. In fact, many castes in India are virtually fossilized and hereditary unions, whose members not only inherit the right to the trade but also have the right of excluding others from competition. It has, however, been left to the Legislature of New Zealand to frame, and to the courts of New Zealand to interpret, a law which gives trade-unionists a legal status similar to that of members of a caste. The compulsory arbitration act of 1894 was first entitled "An Act to Encourage the Formation of Industrial Unions and Associations and to Facilitate the Settlement of Industrial Disputes by Conciliation and Arbitration." This law can be invoked only by the workingmen who are organized, the unorganized have no rights under it. For the purposes of the act the country is divided into six districts, each of which has its Board of Conciliation. In case of a dispute, it is the duty of the Board of Conciliation to try to effect a settlement; if this is impossible the case then goes up to the Court of Arbitration of the whole colony to be disposed of. Whenever a dispute arises regarding wages, either party can, if organized, go to the Arbitration Court and demand a decision. In this case neither employer or employee is allowed to stop work, until the Court has had its say. There is no compulsion to continue work after the decision has been rendered, but if the employer desires to keep his establishment open, he must pay the wages prescribed in the award.

This system is highly praised by Mr. Henry D. Lloyd in his recent books on New Zealand, because its effect is to practically do away with strikes and lock-outs and prevent these serious interruptions of production. But one result of the law has shown itself which may be even more serious than an occasional strike. From the beginning the courts have assumed the responsibility of giving preference to members of trade-unions; that is, they can force an employer against his will to employ a trade-unionist, if equally qualified to do the work, in preference to one who is not organized, as they can also force him to divide the work up among a number when work is slack, and to give a preference to residents as against outsiders. As

an offset they also require the unions to take in all applicants on compliance with certain simple conditions. But even with this qualification such a policy is naturally distasteful to the employers, and an attempt was, therefore, made last fall to secure by means of a mandamus, issued by the Supreme Court of the colony, an order preventing the Arbitration Court from showing this preference. In order to test the law, the master plumbers and gas fitters at Christ Church united in an application to the Supreme Court. Not only did the bench unanimously uphold the decision, but the Chief Justice, Sir Albert Stout, went so far as to assert that non-unionists were altogether outside of the act. He said that the act must be obeyed, even though it might be contrary to what was deemed natural justice. In effect, he said that the act abolished "contract" and restored "status." This might, he acknowledged, be a reversion to an earlier state of things, but he claimed that the power of the legislature was sufficient to revert to this state if it chose to. Mr. Justice Williams said, "The Act conferred no status on a workingman who was not a member of a union; it was not intended that they should be represented, nor did it contemplate that a decision giving preference to unionists should affect any legal right of non-unionist workingmen. The non-unionist had no legal right to demand employment; he could sell his labor at what price and on what terms he chose, provided he could find an employer able and willing to accept his terms; but he had no right to demand that there should be an employer able and willing to accept his terms."

As shown by Consul Dillingham, who has reported this decision to the State Department, it would be easy if two men, a unionist and a non-unionist, applied for work and the employer gave the preference to the non-unionist, for the unionist to set the law in motion, make the preference of the non-unionist an industrial dispute, and put the employer to the trouble and expense of justifying his action. While, therefore, the decision does not absolutely forbid a non-unionist from working, it virtually makes his ability to get work dependent upon the consent of organized workingmen who are his rivals and competitors, and who are not likely, if we may judge from past experiences, to temper what they consider

justice with mercy. This is not the caste system, pure and simple, inasmuch as the law does not recognize the hereditary right to a trade, but it is a long step in that direction. It may possibly be the best method of introducing the Golden Age of Industry, but those who advocate it should understand that it is not the perfect flower of democracy but a denial of its fundamental principles and the return to a system of status and caste which has not only been tried in countries like India, but which pervaded the guild system of the Middle Ages, and was abolished as a form of privilege by the modern democratic movement in Europe. It is interesting to note in this connection that the trade-union leaders of the United States have been far-sighted enough to appreciate this fact, and in the Chicago Conference on Arbitration distinctly repudiated the compulsory arbitration advocated by a New Zealander.

Fraternity is a fundamental principle of socialism. But the problem seems to be insoluble, as yet, how to secure enough of it and not too much. Practical socialist experiments have often been wrecked by an initial excess or a subsequent failure of fraternity, while socialist political parties have almost universally hitherto been either broken in pieces or seriously crippled by internecine quarrels. The most recent illustration of the former rule is the collapse of the "Christian Commonwealth" of Georgia. Its founders were doubtless noble and heroic souls; they proposed to "obliterate the dividing line of 'mine and thine' between themselves and the rest of God's poor"; they adopted as the sole constitution of the colony the Law of Love; they maintained an "open door" for whomsoever would enter (see the *Social Incarnation*, by Ralph Albertson). The result was, that numerous incompetent and intolerable people—some vagabonds among them—sought their loaves and fishes; narrowness and clannishness developed within; a "forced, mechanical, unreal equality" left them "without leadership"; the enterprise was swamped; and its founders—from whose pathetic statement these words are quoted—were forced to confess that "love, or the desire to serve, must add to itself wisdom—there are economic laws and conditions which must be regarded" (*The Commons*, Jan., 1901).

But in socialist politics no such fatal overplus of fraternity is apparent. There are three such factions in the United States—the Socialist Labor Party, with headquarters in New York; the Social Democratic Party, with headquarters in Springfield, Mass., and another Social Democratic Party, with headquarters in Chicago. These are entirely agreed in principle, viz., that the state should own and operate all the instruments of production and exchange; and they all clamor for unity. But see how they speak of one another. Says the *People* (Dec. 8, 1900): The sole possible basis of unity is the "soundly poised, intrepid and unterrified Socialist Labor Party; whoever, whatever, fits there is unitable, and will eventually be united; whatever does not fit there is *un-unitable*, and—all glue phrases to the contrary notwithstanding—will never gather but to scatter." But the New York *Vorwärts* (Dec. 1, 1900) says: "Nowhere in the world has any socialist party had so many dissensions, so much open and secret dissatisfaction, such unworthy methods of mutual espionage, and—as the cause of all this—such miserable arbitrariness, as has the old 'clear-cut,' 'uncompromising' and absurdly centralized Socialist Labor Party." The partisans of the Social Democratic Party call Mr. De Leon a "trickster," a "tyrant," an "infamous scab agent"; Mr. De Leon's friends retort that the Social Democratic Party "has raked the country from one end to the other to gather up practically every discredited member of the labor movement; practically every man who has ever been expelled from the Socialist Labor Party has found a pleasant refuge in the Social Democratic Party; every reformer who at one time pulled an office out of the Populist middle-class movement, has cast his lot with the Social Democratic Party" (quoted from a letter).

A convention was held in Chicago, January 16-18, for the purpose of devising plans for bringing about fraternal relations, or organic union, between the several factions. On this occasion it was decided, after stormy debate, to propose to the several socialist organizations of the country the holding of another convention, for the same purpose, at Indianapolis, in the early autumn. But we venture to guess that no real union will be brought about. Three sets of difficulties are in the way: the

idiosyncracies and mutual antipathy of the leaders; the differing tactics preferred; and, above all, the manifold historical, racial, social, political and psychical causes of difference that exist. As the St. Louis *Arbeiter-Zeitung* points out, socialists are of many sorts and have arrived at their convictions by many paths. There are the "old line" German socialists; the "De Leonites"; the members of the former Socialist Labor Party who opposed De Leon and broke away from his control in 1899; those who, like Mr. Debs, came into socialism through infelicitous experiences with the trade-unions; the former Populists; and a group of younger men, like Dr. Herron, who have been brought into the party not through economic reasons or the Marxist propaganda, but by ethical and Christian considerations. These several groups are not agreed, except superficially, and they cannot, therefore, walk long together.

The most important point of difference is perhaps the relation of political socialism to trade-unions. The present Socialist Labor Party is bitterly opposed to the "pure and simple" trade-unions, as mere palliatives at best, and as now largely controlled by "labor fakirs" and "capitalist lieutenants" in the interest of the money power. Hence, there was organized in 1895 the Socialist Trade and Labor Alliance—a labor movement based unequivocally, like the social democratic *Gewerkschaften* of Germany, on the socialist and "class-conscious" program. The Social Democratic Party, on the other hand, is friendly to the labor-unions of the British and American type. We do not see how this fruitful "root of bitterness" is to be plucked up.

CRISES AND THEIR MANAGEMENT.

AN economic crisis is the result of disturbances of the equilibrium between demand and supply. The causes of such disturbances are partly traceable to direct errors in the production and distribution of goods, but they acquire much of their acute character from pathological tendencies. The economic world is never in a static condition, but always in the dynamic condition of constant change in the relations between production and consumption. The demand for commodities is determined by the law of marginal utility which sends the buyer to the market, not only where he can buy cheapest, but where he can buy the objects on the whole most attractive to him for the purchasing power which he has to expend. Changes are constantly taking place in the character of these objects, in the amounts purchased under the influence of modifications of taste and fashion, and in the cost of production as determined by new processes of manufacture. Hence come the miscalculations of producers, over-production of particular articles, and when these articles form an important part of the whole product of the community, and other conditions are ripe, there sweeps over the community a sudden panic of fear for the future, distrust of credit, and arrest of consumption.

Errors of calculation as to demand and supply are occurring daily, under conditions of the greatest general prosperity. The competition between producers is constantly causing waves of excessive offer or excessive demand for particular articles, which result in the oscillation of prices above or below the cost of production. These movements counteract each other to a large extent under favorable business conditions, and the occasional loss of one producer is offset by the gain of another, or the loss upon one class of articles is offset for the same producer by the gains upon other articles. But if, as Professor Pareto says, "at a given moment a great number of these oscillations take place in the same direction, their effects being cumulative, added one to the other, they give as a result an oscillation which may

attain a wide sweep. It is to this oscillation, when it affects the whole economic system, that the name of crisis is given."¹ This combination of conditions is neither accidental nor unusual. It is a natural outgrowth of the character of the human mind, which causes a feeling of exuberant confidence at one period and of doubt and depression at another. "The periodicity of crises," Professor Pareto declares "does not depend upon an objective cause, but rather upon a subjective one." This rhythmic movement is apparently one of the conditions of economic progress,—a manifestation of the vitality of the economic organism. The alternatives of repose and excitement seem to be necessary to all living organisms, and it is only in death that such movements cease.

The modern organization of industry tends to cause crises in several ways. The sub-division of labor is responsible in the first instance for the possibility of errors in production. This sub-division is not only local, as between groups of individuals, but has become territorial and international. It has given birth to industries which could hardly have been carried on without the modern equipment of means of transportation by land and sea.² The primitive producer, providing directly for his own wants by his own efforts, occupied a very different position from the modern producer, who produces a large quantity of a single article and produces wholly for exchange. If it turns out that he cannot exchange his product for as much of other products as he expected, his calculations of profit are defeated. If he relies for his income upon the margin of profit above cost of production and finds that he cannot sell his products for more than the cost of production, or cannot sell them for as much, he receives no return for his own labor and ceases to be a purchaser of the products of the labor of others. If he holds his products for what he considers a fair equivalent in money or in other goods, but the producers of other goods will not pay this equivalent, he finds on his hands a useless stock of goods. When this condition

¹ *Cours d'Economie Politique*, II, p. 278.

² "Nations specialize, like individuals, according to their aptitudes, each assuming the task of satisfying a part of the material and moral needs whose number and intensity so constantly grow among civilized men."—Campredon, *Rôle Économique et Social des Voies de Communication*, p. 101.

reaches large numbers of producers, and affects the mechanism of credit by their inability to fulfil their obligations to the banks, a crisis occurs.

This modern organization of industry makes it difficult even for the most astute producers to guard against errors in production. The assumption of the old political economy, that production follows demand, is no longer true under the present system. Demands for goods of a given kind affords a partial guide for the future production of such goods, but only in particular cases,—goods "made to order,"—does the production actually wait upon the particular demand. In the case of the great wholesale manufactures production in anticipation of demand is the almost universal rule. Preparation for production has to be made months, and in many cases, years in advance of the delivery of the finished product. Thus a manufacturer of cottons has to build his factory, equip it with machinery, and buy his raw materials, and he has to gather his fuel and make his contracts with his employees, before a yard of cotton can be produced. He may contract for machinery when its price is high or buy cotton for future delivery at a price which afterwards falls. If a competitor performs both these transactions on more favorable terms, he may underbid the first producer in the markets and compel him to sell his goods at a loss or see them stacked up idle in the mill.

The intensity of competition in modern industry has so reduced profits that it requires the most careful calculation to guard against loss. A manufacturer who makes errors amounting to 10 per cent. of the market price of his goods cannot solace himself with the reflection that he simply makes a less profit than a more prudent and far-seeing rival, who has avoided errors. Ten per cent. is likely to be the whole of the profit of his rival, and if the profit is greater, the machinery of modern money markets soon brings it down to the level of profits in other industries. If the demand runs a little ahead of the supply, and considerable profits are realized for a brief period, some capitalist, tempted by the profit, puts up another mill and the supply again threatens to become excessive. In the language of Professor Smart:¹

¹. *Studies in Economics*, p. 204.

"Mills and machinery in great part are standing ready to start, or go on full time, whenever a profit can be shown, but the moment that a profit emerges every one rushes to snatch it, and it disappears in a wave of over-supply."

Capital once invested in the machinery of production cannot always or easily be withdrawn or converted to other uses. The mobility of capital has greatly increased under the system of banking credits and stock exchange securities, but arguments based upon this mobility refer to the loan fund of floating capital and are not applicable to capital which has become fixed in mills and machinery. Such capital is subject to all the risks of competitive production during the long process of investment and after the investment has been made. As Prof. Smart observes, "It is only in text-books of political economy that capital at once leaves the old channels as their waters sink below the 'average profits,' and cuts out new ones." In the desperate effort to utilize the old equipment of mills and machinery, and to earn a profit, the manufacturer will often seek to reduce the ratio of his fixed charges to his total product by increasing production. This may be attained by adding to the plant or increasing the output of the old plant. While this permits a reduction of profits to a minimum, these profits are further threatened by this increase of production beyond the effective demand, and the whole process continues until the poorer mills and the weaker producers are finally forced to suspend. A certain period of time is needed for finding new outlets for finished goods and for the adjustments which are required by changed conditions. It is truthfully declared by Professor Leroy-Beaulieu, that when the production of an article is increased suddenly and greatly, the market, with rare exceptions, fails to enlarge in equal proportion except under the stimulus of a fall in price.

These then are among the conditions which make it difficult for the most far-sighted producer to maintain in his own industry the equilibrium between supply and demand. He has a sensitive barometer of the conditions of supply in organized markets, like the cotton and iron markets and the stock exchanges. The warning given by fluctuations of prices in these markets is very useful to him in purchasing materials and governing his future produc-

tion, but the warning sometimes comes after the fact as a result of the excess of production arising from his operations and those of his rivals. These organized markets, especially that for transferable capital, afford a constant menace as well as a barometer to the producer. He knows that if his profits rise above the average profits in other industries, the great loan fund of the world is ready to pour into his industry, create new mills and increase to an excessive amount a production which was probably already sufficient to meet effective demand.¹ He knows also, that if a new invention appears upon the market, reducing by 5 per cent. or even a smaller fraction the cost of producing his goods, the loan fund is available for equipping new mills with this invention or enabling his rivals to apply it to their old mills. The same resource may be open to him as to the future, but the fact that cost of production has fallen is likely to react upon existing stocks of finished goods and drive their price below their cost of production.

When to these variable elements affecting the cost of production and the margin of profit are added the variable elements which influence demand, the situation of the manufacturing producer becomes still more delicate. The law of marginal utility will not only drive the buyer with almost unerring instinct to the seller who sells the best goods at the lowest price, but it will drive him to buy any substitute which promises to perform the same service at a lower price. Thus, if the price of woolens should be abnormally advanced, upon the calculation that the community must consume a fixed quantity of woolens, it would be found that buyers would turn to the other textile fabrics,—cottons, silks, and linens, and their compounds,—in order to provide for their wants. An advance in copper was met in 1889 by a remarkable shrinkage in the demand and the employment of other metals, like zinc and iron. In respect to these great staple articles the problem is much simpler than in respect to finished articles which are the subject of varying tastes. A demand for

¹ "The knowledge that enough capital is already invested in an industry to fully supply all current demands at profitable prices has no power to deter the investment of fresh capital, provided the new investors have reason to believe their capital can be made to displace some existing capital."—Hobson, *The Evolution of Modern Capitalism*, p. 202.

one article, moreover, reacts upon the demand for another, as the investment of the earnings of the masses a few years ago in bicycles was said to have reduced the amount spent upon pianos and to have injured the business of the livery stables. Thus, in order to determine exactly the equations of demand and supply, a producer would need to possess complete knowledge in regard to all existing industries and the gift of prophecy in respect to future changes in popular demand for their products.

The tendency to over-production resulting from unrestricted competition has been corrected to some extent during the past decade by the consolidation of industry and the restriction of production. The volume of production and the process of distribution have thus been brought under a higher degree of organization than before. Production has been curtailed in many lines to conform to ascertained or probable demand, but "the machinery of management," in the language of Professor Jones, "has not developed *pari passu* with the technique of production."¹

It is declared by Col. Carroll D. Wright, that "Any one great industry, under complete organization, can be regulated by all the forces acting understandingly and together, and it is only through such organization that production can be wisely regulated on the basis of necessity to supply the market."² In the United States great combinations of capital have been formed in order to limit competition, and the skill and capacity of the captains of industry have been developed to an exceptional degree. This organization, in spite of many evils, undoubtedly has great advantages. It is subject to dangers of its own, however, growing out of the magnitude of the powers and interests entrusted to individuals as the custodians of large capital and many thousands of workers. While established manufacturing industries may be better regulated by combination than by free competition, there is grave danger of mistakes and undue speculation in the creation and promotion of new enterprises, especially in undeveloped countries.

A remedy for existing evils in production cannot be found in state socialism or coöperation, unless the representatives of the

¹ *Economic Crises*, p. 47.

² *First Annual Report of the Commissioner of Labor*, March, 1886, "Industrial Depressions," p. 287.

state or the coöperative body can be endowed with absolute knowledge of all elements affecting demand and supply, including not only the present but the changes in demand and in methods of production in the future. The state may aid in diminishing the errors resulting from miscalculation by placing at the disposal of the community its great resources for gathering and distributing information, but the past history of state regulation, even in simple matters, does not justify the belief that it can arrogate to itself or to its representatives wider knowledge and more accurate judgment of future contingencies than belong to those who stake their fortunes under the competitive system upon the accuracy of their anticipations and whose errors of individual judgment are submitted to the test of the average judgment of all other producers and investors by the sensitive mechanism of the stock and produce exchanges.

The money market and the organization of credit are closely related to the circumstances of a crisis. They reflect with such delicacy the changes in conditions of credit, in demand for capital, and in prices, that the banking systems was often treated in the early history of economics as the primary cause of crises. That this was a superficial view of the situation is clearly recognized by most modern students. The existence of credit and the great accumulation of loanable capital in modern society contribute to the capacity for over-production and speculative enterprises. Indeed, the economic crisis in its modern form is essentially a phenomenon of the organization of industry and credit; but this is a necessary incident of the employment of so delicate and efficient an instrument. The ancient crises, growing out of crop failures, were much more severe in their effects than the modern derangements of industry, and the progress of economic education is tending to reduce the severity of crises in the wealthy societies of the present day.

One of the most serious of the disturbing causes which prevents the working of the mechanism of industry under the secure conditions of a static state is the growth of the loan fund. This fund is pouring into the money market every year a great amount of saved capital seeking investment. There was a time when every dollar of available saving was required for productive

enterprises in Europe and the United States. This was conspicuously the case in the beginning of railway construction, when it was necessary for the Bank of France to go to the aid of the French railways in order to raise in the course of three years a sum of about \$200,000,000. But the increase of railway equipment and the employment of labor-saving machinery in farming and manufacturing has promoted saving almost in a geometrical ratio from year to year. The saving of one year has been capitalized into increased producing plant, which has greatly increased the saving of another year, until the amount of capital offered annually for investment in new enterprises has reached several thousands of millions of dollars each year.

This great development in modern society of saving for investment has contributed to increase the tendency to a misdirection of productive power. Over-production of consumable goods takes place because so large a part of the purchasing power of the community is saved for investment. A better equilibrium would be established between the production of finished goods and the demand for them if the community devoted a larger portion of its purchasing power to obtaining such goods. Saving is required not merely to maintain the old equipment of society,—the precious fruit of many centuries of development,—but to continue this development by the creation of new and improved machinery and providing for an increased population upon the established scale of comfort, or a higher scale. But so large a part of the earnings of society has been set aside in recent years for investment that the equilibrium between the production of finished goods and the effective demand for them has been broken. Too much of the product of labor has been devoted to the creation of new equipment of doubtful or at least postponed utility, and too little to the purchase of the products of the existing equipment.¹

¹ "The mere introduction of trade by money destroys, as it were, the use of the whole abstract theory. So long as original barter prevailed, supply and demand met face to face. But by the intervention of money, the seller is placed in a condition to purchase only after a time, that is, to postpone the other half of the exchange transaction as he wishes. Hence it follows that supply does not necessarily produce a corresponding demand in the real market."—*Roscher*, II, p. 208.

It is a sound maxim that there cannot be such a thing as universal over-production, because the increased product of one man's labor will be exchanged against the increased product of the labor of others. But even Mr. Mill, who insisted most strongly upon this axiom, admitted that it was subject to several conditions. The most vital of these are that production shall always take the right channels, producing only that for which there is a demand at prices at least equal to the cost of production, and that there shall be perfect mobility of capital and labor to meet changes in this demand. These conditions are difficult of realization under the modern system of production in anticipation of demand. It thus comes about, as suggested by Professor Clark, that "it is in the relations of present to future—in speculative and inaccurate estimates of incomes that are about to be,—that there lie influences that cause goods to be created for which, in time, there is no effectual demand."¹

In a practical sense, if not in theory, over-production in respect to effective demand is not only possible, but has been the actual history of many leading commodities during the last three decades, since the civilized countries of Europe and the United States came to be almost completely supplied with the equipment for producing machine-made goods and the means of transportation.² Why does the rule of the exchange of products for each other, no matter how large the production, cease to operate in such a way as to produce a healthy equilibrium? The answer is found largely in the investment of savings in enterprises which do not immediately become productive. These enterprises make large demands for food supplies and clothing for the laborers employed in them, and for iron and steel and other raw materials of production, but they often duplicate unduly the existing machinery of production. This increase in the equipment of civilized societies, beyond the point adequate to supplying consumptive demands is to a large extent a destruction of saving

¹ Introduction to Rodbertus, *Over-production and Crises*, p. 17.

² "The use of the term over-production does not mean that more goods are produced than the community can consume, but more than the community can pay for at the prices which cover the expense to the producers. The larger the fixed capital in an industry, the greater is the danger of such over-production." —Hadley, *Economics*, p. 294.

instead of a productive use of it. The capital which might have been employed for varied new uses, in ministering to new and finer needs, has been practically devoted to the needless duplication of what was already sufficient and has not contributed to the useful wealth of the community. The excessive creation of mills and railways illustrates in this sense, though not to the same degree, the paradox of value shown by water and air, that an increase of the supply does not add to the sum of exchange values nor even to the benefits of the community. This consecration of capital to the production of useless machinery is worse than its use upon articles of luxury or consumption, because the latter would at least afford an economic satisfaction, if not a moral one, to the consumer. Capital sunk in enterprises which are not productive and do not promise productiveness in the future is practically capital destroyed.

It is the natural tendency of capital, under the law of marginal utility, to gravitate to the point where it will earn the highest returns. Artificial barriers of law and custom will sometimes check this movement and force the owner to accept a low return in comparison with what might be earned elsewhere. One of these barriers which was potent until recent times was the barrier of national boundaries. After this barrier was crossed, capital still remained shut to a large extent within the limits of the advanced civilized countries of Europe and North America. Experiments beyond these boundaries, such as those of British capitalists in Latin America in the third decade of the nineteenth century and in the Argentine Republic in the ninth decade, were often followed by disastrous results, because of the lack of European commercial standards, respect for the sanctity of contracts in the countries where the capital was invested, and extravagant expectations for the future. When the crash came, it affected not only the country where the investments had been made and those who had made them, but the whole trade of the lending countries. Within the last few years, however, has begun a new movement of this character more important than any which has gone before. The less developed countries of Europe, Germany and Russia, were first supplied with the machinery of production and exchange from the reservoir of

savings in the more developed countries, and since then the vast extent of Africa and Asia has been opened to modern civilization under the protection of the more advanced countries. The result has been that the congestion of capital in the older countries, which threatened to paralyze enterprise and result in a long period of depression, has found an outlet in the undeveloped countries and this outlet has contributed to the increased sale of manufactured goods, larger earnings for invested capital and the revival of industry which began all over the world about 1897.

Proof of the extent and rapidity of this recent development is afforded by the creation of stock companies in Germany and Russia within the last few years. In Germany the number of companies incorporated rose to 182 in 1896, with a total capital of 268,600,000 marks; 254 in 1897, with a capital of 380,500,000 marks; 329 in 1898, with a capital of 463,600,000 marks, and 364, with a capital of 545,000,000 marks in 1899,—a total in four years of 1,129 new companies with a capital of 1,657,700,000 marks (\$400,000,000). In Russia the year 1895 witnessed the organization of stock companies with aggregate capitals of 129,363,000 roubles; 1896, 232,640,000 roubles; 1897, 239,424,000 roubles; 1898, 256,237,000 roubles, and 1899, 358,354,812 roubles,—a total capitalization in five years of 1,216,018,000 roubles (\$632,000,000).¹ In Belgium also a great movement took place during the closing years of the century in the creation of stock companies. Brussels became a financial center, on which the issues of banking, railway and industrial securities increased from 26,596,000 francs in 1896 to 463,094,000 francs in 1899.²

In all these countries, and especially in Belgium, the companies formed were as much for the development of the less advanced countries as for operations at home. The surplus capital of France passed largely through the conduit of Belgian and Russian companies to flow finally upon the untilled soil of African

¹ *Bulletin de Statistique* (Feb., 1899), xlv, p. 185; *Économiste Français*, April 7, 1900, p. 444.

² *Bulletin Russe de Statistique* (July-Sept., 1898), v, p. 635; and October-December, 1899, vi, p. 735.

³ *Moniteur des Intérêts Matériels*, March 25, 1900, p. 794.

and Asiatic industrial development. These and similar demands for capital, including a large demand in the advanced countries for electrical equipment, produced a radical change in discount and interest rates by withdrawing from the loan fund and sinking in permanent investments a large part of the surplus savings of the last decade of the century. The average rate of discount rose from 2 per cent. in London in 1895 to 2.75 per cent. in 1897, 3.26 per cent. in 1898, and 3.75 per cent. in 1899, while in Berlin a rate of 3.15 per cent. in 1895 advanced to a rate of 4.28 per cent. in 1898 and 5 per cent. in 1899. These changes in the rate for the rental of money for short terms were accompanied by changes in the permanent rate for the loan of capital which indicated that the outlet found for surplus saving, in the complete equipment of countries not yet fully provided with the means of production and exchange, was larger than any previous demand of the kind for many years.

It is when the loan fund and the supply of saved capital seeking investment have been largely absorbed, that the check thereby imposed upon further ventures brings on a crisis. Many miscalculations are made during the period of development and business activity as to the time when the new enterprises will become productive, even where the enterprises themselves are sound. It is found that investments which were expected to yield their fruits in large wealth and further savings are likely to require years for their fruition. The promoters of new enterprises, who find their profit in floating securities on the market, are often the chief victims of these miscalculations, even where they labored under no misconception themselves in regard to the character of the enterprises. They find that the public have reached the limit of their surplus savings seeking new investments and will take no more of the new types of securities.¹

¹ An interesting case of this character was the flotation of tramway companies in France in 1899. The stock was taken first by large capitalists, but the latter "are not in the habit of keeping long securities which are unproductive and the appearance of some of them on the Paris Bourse proved that, in spite of the confidence which the enterprises inspired in their promoters, a certain number of the latter tried to realize at a premium a part of their locked-up capital." The investing public failed to respond and prices declined.—*Economiste Européen* (June 22, 1900), xvi, p. 776.

The promoters become overloaded with securities and appeal for ready funds to the banks, but the banks,—noting the declining prices of the securities on the stock exchanges,—become distrustful, like the public, and curtail their advances instead of increasing them.

The fact that oscillations of business depression and activity follow one after the other, from the inevitable operation of the economic system, discloses the reason for the periodicity of crises. Under the free working of conditions which were undisturbed by cataclysms of nature or serious political events, it might reasonably be assumed that the time intervening between the inception of a period of industrial activity, its culmination, and its final collapse, would be nearly the same in every incident of this character. This has been so nearly the fact that Mr. Jevons was able to divide the crises of the nineteenth century by almost exact intervals of ten years,—1816, 1825, 1837, 1847, 1857, 1866, 1873, 1882, and 1890. The variations in these dates from the exact period of ten years were due to some extent to disturbing political causes, like the close of the Napoleonic wars, the Crimean war, the American Civil war, and the Franco-Prussian war. It is obvious that any important event affecting the economic order from without, like the suspension of specie payments or the liquidation consequent on a great war, must inevitably invoke something like a crisis, independently of the ordinary play of economic forces under normal conditions.

The history of these events has shown, however, that their effect upon business conditions differed materially according to the stage of industrial development at which the influence from without was felt. In the case of the Franco-Prussian war, liquidation was comparatively easy in France, because the country had just emerged from the effects of the depression which began in France in 1864, but whose influence was still felt after 1866 as the result of the reflex action of the severe crisis in Great Britain. In Germany, which up to the Franco-Prussian war was almost isolated from the international money market, a new era of economic development dated from the payment of the war indemnity by France. Speculative resources were so plentiful in Germany, from the proceeds of the indemnity and the imperial

policy upon which the government entered, that all enterprise was dragged in the train of speculation and inflation and the results were severely felt after the crash of 1873. In the United States the crisis which began in London in 1890, with the failure of the Barings, was not felt until 1893, partly because short crops in Europe in 1891 and 1892 resulted in large exports of agricultural products from America and created a balance abroad in her favor which cloaked the withdrawal of foreign capital and prevented adverse foreign exchanges.¹

While crop-failures in Europe and large exports of agricultural products operated on this occasion in favor of the United States, as they had done after the resumption of specie payments in 1879, the failure of the crops has come to be a less serious factor in recent economic crises than was the case when the mechanism of industry was less complex than at the present day. Recent crises have been world-wide in their influence,—at least as wide as the extension of the modern mechanism of industry and credit. This condition is not so much an evil as might at first appear. The spread of the disturbance over a wider area seems to mitigate its severity at any given point. The scarcity of food supplies or money at one point is rectified at least in part by the supplies of other parts of the world, and a surplus of goods on one market may sometimes be relieved by their exportation to another market. The prices of food products no longer fluctuate wildly as in the early days of the century, when adequate means of transport did not exist and there was no sympathy between national markets. In England, as recently as 1840, it was estimated by Mr. Tooke that a deficiency of one-sixth in the English harvest resulted in a rise of at least one hundred per cent. in the price of grain, and prices for grain varied nearly 100 per cent. at the same moment between England and Prussia, and more than 30 per cent. between England and Belgium. Such differences reacted strongly upon the prices, not only of food products, but of the articles from which the purchasing power of the community was diverted by the necessity of applying so much to the purchase of food. These differences are no longer possible under the modern system of transportation, which places the granaries

¹ *Vide "A History of Modern Banks of Issue," pp. 524, seq.*

of the world at the command of any country within a few weeks and which determines to a nicety by the prices upon the produce exchanges, the relative inducements for sending products to one market or another.

While a crop-failure, therefore, has ceased to involve the menace to human life and the impairment of the world's resources which was once the case, it is not without effect upon economic conditions. If a given country is led under the law of marginal utility to devote its productive resources largely to paying an enhanced price for its food, it may be compelled to reduce its demand for other articles. The necessity for making heavy payments abroad for food products has influences upon the international money market which are revealed by the outflow of gold, the increase of discount rates, and the fall of the price of negotiable securities to a point which makes their purchase profitable on other markets. Such conditions, however, are not sufficient to invoke a crisis unless every other condition is ripe for the event.¹ The economic equilibrium may indeed be partially maintained by the increased purchasing power of the agriculturists in those countries where there is no serious deficiency of food-products and whose products are sold at high prices to the countries where deficiency exists.

This interplay of the supplies of one producing country upon the markets of another illustrates the powerful influence of the modern organization of industry in mitigating the severity of crises, in spite of the extreme delicacy of the mechanism and its easy liability to derangement. The more complete the knowledge of business men becomes in regard to production and supply throughout the world, the wider the market in which goods may be marketed if they prove to be superfluous at a given point, and the more accurate the judgment which becomes possible under these conditions, the less is the danger that a disturbance of the

¹ It was declared of the crop failure in England in 1879 that "no such disaster had befallen English agriculture within the memory of living men," and continental states, which usually exported wheat, had not raised enough to supply their own people."—Noyes, *Thirty Years of American Finance*, p. 55. But no crisis broke out upon European money markets, in spite of some exports of gold, and the chief effect of the heavy exports of wheat from the United States was to enable them to carry through successfully the resumption of specie payments.

equilibrium between supply and demand will attain a destructive character. The crises of the last half century have extended their influence over the civilized world, but they have grown less intense in their impairment of the resources for reconstruction and in the suffering inflicted than those of earlier times. It is not unreasonable to expect that more complete knowledge and sounder judgment will so far mitigate the severity of commercial depressions that they will contribute chiefly to weeding out incompetent producers and wasteful methods and stimulating the healthy growth of the industrial system.

The organization of the banking and credit system has already reached a point in the older civilized countries which averts the worst consequences of the earlier crises. The methods and mechanism of commercial banking, as developed in Great Britain, in France and in the leading cities of the United States, have attained a perfection which makes impossible a general collapse of banking credit except under conditions so destructive to the economic system as to be beyond the reach of any possible measures of defence and hardly within the range of possibility. The commercial banks in these countries confine their business chiefly to the discount of commercial paper offered by individuals and companies in good standing, and to advances upon first class negotiable securities. While the latter sometimes shrink in value in crises, they rarely shrink below the margin fixed when the advances are made and the losses suffered by banks are eventually trifling. There is little danger under modern conditions of credit of the failure through bad loans of a commercial bank which is conducted upon sound principles. Excessive loans to a single individual or corporation or upon security which would be rejected by conservative bankers, has often resulted in the failure of single banks, particularly in the United States, where banking responsibility is divided among many institutions, but never within the past half century have such failures destroyed confidence in the banking system and led to the general withdrawal of deposits.

This condition of confidence in the banking system is an important factor in mitigating the severity of crises. Discussion of such events in the early part of the last century was based

upon the theory,—even then not well founded,—that every crisis would invoke not only the withdrawal of banking deposits, but the presentation of bank notes for redemption in coin. This would have reduced a community to no other means of exchange than coin and would have contracted the medium of exchange to a small fraction of its usual amount. The creation by prudent banking methods of a banking system capable of weathering the most severe storms of modern credit has contributed to perpetuate the usual means of exchange. Private credit is often impaired in a crisis and banking credit is employed with greater caution than usual by the banks, but the great edifice built upon the metallic reserves of the banks, upon sound business transactions, and confirmed habits among business men,—the deposit and check system, the issue of circulating bank notes, and the settlement of balances between banks and different cities through the clearing houses,—continues to perform its usual functions, only slightly shaken by the tendency of the crisis to correct the errors of individual judgment in investments and undue speculation on the stock exchanges.

The banks feel the pressure of increased demands for money and capital in several ways. They encounter not merely the demands of speculators and promoters, but the appeals of their mercantile customers growing out of enlarged business operations and the tendency in prosperous times for individuals to carry more currency for retail transactions than in periods of depression. The latter demand, due in part to the high prices caused by business activity, is a demand for actual money, unless the banks have an unhampered power of note issue. In the latter case, the demands upon the banks are felt by the decline in the ratio of reserves to liabilities. It is when this ratio is reduced to the danger point and the banks begin to take steps for their own protection by curtailing loans, advancing the rate of discount, and acquiring gold that the signal is given for a general arrest of the upward movement.

The operation upon the accounts of a bank of the movement of ascending business activity and speculation which leads to a crisis follows so uniform a rule that the history of crises may easily be traced by the fluctuations in the bank returns. Capital

is idle and redundant during the period of liquidation following a crisis, because those who have it to lend are afraid to make investments and those who usually employ it by entering the market as borrowers are cautious about embarking upon new enterprises. As these fears by degrees subside on both sides, a moderate movement sets in. The large supplies of capital and the low rates for it begin to tempt borrowers at the same time that the opportunity for new enterprises and for the resumption of production becomes favorable as the result of the exhaustion of old stocks of goods. The growing demand for capital gradually increases the charge for it, while the renewed demand for commodities, falling somewhat suddenly upon a denuded market, increases their price and offers tempting profits for increased production. The reviving condition of the markets makes new investments attractive and increases speculation, and every new step in expansion increases the demand for capital at the same time that it diminishes the supply.

The period of speculation and ascending prices is marked by a steadily widening separation between the amount of the cash reserves of the banks and their loans and discounts. The cash falls while the loans rise. The fall in the cash is partly due to the steadily growing domestic demand for currency and credit, to meet which the cash is put in circulation; but the decline is sharply accentuated, after speculation reaches the danger-point, by the demand for cash for settling foreign balances which have ceased to be settled in merchandise. The changed condition of the bank's accounts up to this point is brought about by the gradual operation of the expansion of credit and the rise of prices. The discovery that the danger-point has been reached,—that the stock of cash and the volume of loans are too far apart,—usually comes somewhat suddenly to the mass of the business community. Unusual withdrawals of gold from the bank reserves for export abroad are one of the visible signs that business is upon the eve of a crisis.

The underlying cause of the gold movement is found in the state of trade. Goods can no longer be sold as rapidly as they are produced,—partly because domestic purchasers cease to purchase so largely at the enhanced prices, and partly because

foreign purchasers can buy similar goods elsewhere at less prices,—and manufacturers and merchants are no longer able to meet their obligations at the banks at maturity. Then begins the panic, which becomes more or less acute according to the circumstances of the case and the extent to which credit has been overstrained. The demand upon the banks for loans and advances increases, while the decline of the cash reserve becomes so rapid as to compel prudent bankers to raise the rate of discount. The effect of the increase in the discount rate is to diminish the demand for credit from those who can do without it, while it attracts capital from abroad, or,—what is substantially the same thing,—induces foreign creditors to suspend the withdrawal of their credits by the attraction of their greater earning power where the high discount rates prevail. The aid extended by the banks to solvent traders enables them to weather the storm. The insolvent, who have made extreme miscalculations in production and in estimates of probable profits, are compelled to suspend, and a long period of business depression sets in.

The moment the acute danger is over, a radical change comes over the accounts of the banks as the result of the arrest in the activity of affairs. The demand for credit declines to a minimum, resulting in the reduction of loans and discounts, while the diminished demand for currency sends it back to the solvent banks and results in the rapid piling up of specie in their reserves. The movement of deposits varies somewhat, according to the degree of disturbance caused by the crisis and the banking rules by which deposits are regulated. The general tendency of the real deposits,—those which are not merely transfers of credit by the bank to its customers on account of loans,—is to follow the cash reserve. They diminish when the demand for currency is most acute and begin to accumulate again when the crisis is over. Their recovery is usually less rapid than that of the cash reserves, and is comparatively slow where losses of capital have been heavy and the wealth has disappeared out of which deposits were made. The movement to withdraw deposits because of distrust of the solvency of the banks is more abnormal and in recent crises has been reduced to a comparatively minor factor. Such withdrawals, without commercial reasons, greatly cripple

the powers of a bank to assist those who need assistance and have been among the most serious dangers of financial crises, where banking was not regulated by sound laws, and among peoples where its methods were not well understood.

An illustration of the movement of bank accounts under modern conditions of credit is afforded by the consolidated accounts of the national banks of the United States from the crisis of 1893 to the maximum of business activity in 1900. The state of the leading items at selected dates, showing the volume of business and specie reserves, appears in the following table:

Date.	Loans and Discounts.	Specie Reserve.	Individual Deposits.
May 4, 1893	\$2,161,401,858	\$207,222,141	\$1,749,930,817
October 3, 1893	1,843,634,167	224,703,860	1,451,124,330
May 4, 1894	1,926,686,824	259,941,923	1,670,958,768
October 2, 1894	2,007,122,191	237,250,654	1,728,418,819
May 7, 1895	1,989,411,201	218,646,599	1,690,061,299
September 28, 1895	2,059,408,402	196,237,312	1,701,653,521
May 7, 1896	1,982,886,364	202,373,446	1,687,629,515
October 6, 1896	1,893,268,839	200,808,632	1,597,891,058
May 14, 1897	1,934,151,876	236,076,383	1,728,083,971
October 5, 1897	2,066,776,113	239,387,702	1,853,349,128
May 5, 1898	2,109,773,386	317,182,772	1,999,308,438
September 20, 1898	2,172,519,610	293,874,158	2,031,454,540
April 5, 1899	2,403,410,895	364,162,552	2,437,223,420
September 7, 1899	2,496,721,251	338,571,383	2,450,725,595
April 26, 1900	2,566,034,990	358,051,069	2,449,212,656
September 5, 1900	2,686,759,642	373,328,410	2,508,248,557

These figures show a large volume of loans in May, 1893, when the inflation preceding the panic was at its maximum. The panic became acute in June, but did not seriously affect mercantile business until some time after its force had broken over the stock exchanges and the money market. Gradually, however, the curtailment of business by merchants and of credits by the banks, carried loans down more than \$300,000,000 within five months, while the heavy drafts made by merchants and bankers upon their deposits reduced the deposit accounts by nearly an equal amount. These were the minimum points of the panic in respect both of loans and deposits. The specie reserves of the banks were already stronger in October than in July, because of the strenuous efforts of the bankers to curtail loans and husband cash. It was not until the next year that the reflex movement

of idle money swelled the reserves nearly 40 per cent. above the amount in the summer of 1893, and accumulated a specie fund which was not again equaled until 1898. The course of events was somewhat irregular from 1894 to 1897, because of the political panics which swept the stock exchanges and hampered business, as the result of the pressure upon the gold reserve, the threat of war with Great Britain over the Venezuelan boundary, and the political campaign of 1896 regarding the metallic standard. It was not until the summer of 1898 that loans and discounts returned to the maximum of 1893. The volume of loans at this time did not represent the degree of inflation of 1893, because of the intervening growth in the population and consuming power of the country. The increase in the volume of money swelled the specie reserves 50 per cent. above the amount in 1893, and deposits \$550,000,000 above the minimum of the panic year. It remained for the year 1899 to witness a further expansion in loans and deposits, which, although balanced by a large increase in specie reserves, already pointed the way to another period of expanded credit and of the absorption of the loan fund of the community.

A severe strain is imposed upon commercial banks at the acute stage of a crisis. Unusual demands are made for new loans and the extension of previous loans, which arise in part from the ordinary functions of the banker, but are intensified by the sudden distrust of other sources of credit. Those who have been content with small quantities of cash, and have been both giving and receiving commercial credits in the conduct of their business, suddenly realize that unusual calls will be made upon them for cash and begin to distrust the ability to pay of those who owe it to them. Appeals for cash or its equivalents are then made to the banks, which are usually in inverse ratio to the general belief in the ability to obtain it. Any form of banking credit will be accepted on such occasions which has the virtue of unquestioned exchangeability. Such credits may be issued by banks to solvent traders without risk to any required limit, with great benefits in arresting panic and preventing its worst consequences, on the conditions that the banking system is known to be sound and that its issues are not fettered by law. If currency

is hoarded under a solvent banking system, it is because the amount is believed to be limited and those who hoard it fear that they may not be able to obtain the share which they need at the moment when it may be demanded. An elastic limit of note issue is a powerful weapon for restoring financial confidence on such occasions.

The expansive theory, as it is called by Professor MacLeod, has been too often tested during the past half century against the restrictive theory to leave any doubt as to the wisdom of the former. The expansive theory involves loans in times of panic up to the utmost limit, upon good security, which the resources of the bank permit, in order to meet the emergency of the moment. A solvent bank need have no fear in a crisis, if it has the power to issue notes and extend credit freely, that its specie reserves will not be fully restored after the acute stage of the crisis is over. The restrictive theory assumes the necessity of bringing everything at once to a metallic basis. It is supposed to have the effect upon the congested financial body of a healthy purging. This theory is directed against the continuance of loans to sustain the inflated credit which has brought on the panic. It would be a sound theory if it were applied at the right time; but the demands for accommodation after a panic has broken out are very different in character from those before the panic. The new demands are not usually made for the purpose of continuing inflation, but for the purpose of supplying the sudden drying up of the usual sources of credit,—the temporary paralysis of the entire machinery of exchange through terror. The moment the terror is mitigated, the old machinery will resume its normal functions, with a movement modulated to the new conditions of things. It is one of the highest functions of modern banking to put an end to the period of unreasoning fear and complete paralysis which marks the acute stage of a panic by employing all the resources due to inherited strength and legal powers in restoring the orderly functions of the machinery of exchange.

Many of the disturbances in the equilibrium between supply and demand which brings about crises result in the long run in important benefits to society. The crisis weeds out the less competent producers and leaves in the field only those who have

shown their capacity to obtain the largest sum of results with the greatest economy of capital and labor. It is the rapidity of this evolution which has contributed to the frequency and severity of crises in modern society. As Professor Giddings well says of the increase of crime and vagabondage along with the increase of social wealth:¹

"These things are a part of the cost of progress, forms that the cost of progress takes when the rate of social activity exceeds the rate of constructive reorganization. Quicken the pace of a moving army, and the number of the unfortunates who will fall exhausted by the way will be disproportionately increased. . . . Increase the strain of any kind of competitive work and derange the conditions under which it is done, and the percentage of failures will rise."

This element in the problem would seem to establish the principle that the more rapid the progress of society, the more frequent and acute would be industrial crises. This tendency is fortunately restrained by the increased power of resistance given to the mechanism of production and exchange by the greater wealth of the community, the diversity of its industries and resources, and the wider area over which the shock of disturbance is spread. In this respect the complexity of machine production and financial organization in modern society operates with the equalizing effect of the market for securities upon changes in the value and supply of money and capital. The increased sensitiveness of the mechanism makes a slight derangement keenly felt and results in precautions at an early date against more radical derangements.

The effect of new inventions is felt most severely by fixed capital. Capital invested in permanent forms is almost defenseless against the progress of improvements. As the situation is defined by Mr. Wells, "Society proffers its highest honors and rewards to its inventors and discoverers; but, as a matter of fact, what each inventor or discoverer is unconsciously trying to do is to destroy property, and his measure of success and reward is always proportioned to the degree to which he effects such destruction."² The adoption of labor-saving devices or more

¹ *Democracy and Empire*, p. 90,

² *Recent Economic Changes*, p. 369.

efficient machinery in any industry relegate the old equipment to the lumber room, if the improvement is of an important character. It is the adjustments of capital and labor to these new conditions which are among the important factors in causing a crisis. Only under a static condition of the mechanism of production could crises be averted, even if knowledge were complete regarding all existing conditions of demand and supply. The element of new discoveries, causing changes in cost of production and the supply of old articles and creating new demands, would break the equilibrium. As Professor Smart describes the situation:¹

"As things are, each new invention throws labour out of employment for the time, superannuates fixed capital, and interrupts the flow of wages and profits. Again, through miscalculation, new capital does not always seek out those channels which are awaiting on improvement and reduced cost, but flows on in the old grooves, till it dams up the channel of progress with capital in the wrong place, and prices are again pressed down to the level that pays the last comer only. Thus progress marks its course as a series of jerks."

In the market for money and capital also, the final result of the changes which bring on a crisis is likely to be beneficial to society. The reduction in the rates of discount and interest, which is the result of the large supply of capital seeking investment, permits many enterprises to be undertaken which would not be productive under a higher rate of interest. The lower the rate of interest falls and the greater the accumulation of capital in the world, the greater becomes the equipment of efficient producing machinery and the greater is the surplus which society can afford to devote to permanent works of education and decoration which are not directly productive. But the process of transition by which capital is deprived of its value and investments cease to earn their old return is a period of losses and suffering for the owners of this fixed capital and these investments. A fall in the rate of interest means a reduction of expenditure and a readjustment of social relations by those living upon the interest on securities, by insurance companies, banks, and all others

¹ *Studies in Economics*, p. 207.

depending upon the rate of return upon investments for their income. It impairs the value of all saving and is in this sense equivalent to a reduction of wages for the workingman who wishes to provide for old age or for his family after his death. But circulating capital, like other articles, is subject to the law of diminishing returns, which affords to the entire mass only the rate earned by the last increments. The owner of such capital, much more than the laborer, has felt during the present century the operation of an "iron law,"¹ depressing his earnings more uniformly and powerfully as new capital came into the field to compete with the old. The sifting process of a crisis separates worthless enterprises from sound ones, wipes off the account the capital which has been destroyed by unwise investments, and sets forces in motion which drive capital to new fields where its earning power ceases for a time to go downward.

CHARLES A. CONANT.

¹ This phrase is applied to the earnings of capital by M. Sayous, *La Bourse Moderne et sa Loi d'Airain*, in *Revue d'Economic Politique* (April, 1900), xiv, p. 373.

THE ENTRY OF THE UNITED STATES INTO WORLD POLITICS AS ONE OF THE GREAT POWERS.

THE Great Powers are a small family. They always must be, for the great are few. It was until recently a provincial family. It called itself the Great Powers of Europe.

The United States have now elbowed their way into it. It is no longer Great Britain, France, Austro-Hungary, Germany and Russia. There is no room in the circle for Italy. The big boy who was hulking in the background, until the last few years, has changed his voice and come forward to claim his own. He proposes henceforth to have his full part in the game of *Welt-politik*, and he will, by the right of the stronger. His welcome has not been of the warmest. Germany, particularly, has been cold in her reception of the new member. If one is to believe her daily press, the United States have come in as a power necessarily antagonistic to all the rest,—as America against Europe.¹ But be this as it may, the Great Powers are now the Great Powers of the World. It is seen that they may have to enlarge their circle some day, to take in Powers of Asia. Japan already has a title for the next vacancy almost as good as Italy's. China, reconstituted, revivified against its will by Western civilization, may, in this new century, assert her right to a place in line.

American diplomacy, until our war with Spain, had followed in the main the course laid down in Washington's Farewell Address. There had been but one substantial departure from it. That was the promulgation of the Monroe doctrine. But the Monroe doctrine, which a happy accident of European politics made it possible for us to assert, was confined in its immediate scope to American affairs. We justified it by the rule of self-preservation.

It was, however, an edged tool which Canning put thus into our hands in 1823. Great Britain would have been slow to

¹ See the *National Zeitung* of Dec. 9, 1900.

suggest our setting up what was so near to an American protectorate, had she foreseen even the possibility of such an incident as the Venezuelan controversy of 1895.

That, more than any other thing in our previous history, advanced us to a new place in the world. A nation was to be feared that dared, without any immediate motive of personal interest, to put herself in the path of England, and intimate an intention to hold the ground.

Some of the dispatches which emanated from our State Department at that time indicated, perhaps, that we had not yet been a Great Power long enough to acquire all the company manners of the society into which we were entering. The contrast between the *brusque* tone in which our Secretary of State emphasized our interest in Venezuela's claims and the suavity with which the Queen, in her speech at the opening of the next Parliament, acknowledged the friendly tender of the good offices of the United States towards a satisfactory adjustment of the controversy, was marked. Indeed, an American dispatch of the last few months may be open to a similar criticism. The South African republics had requested from the United States "intervention," as they phrased it, in their behalf, and this request was communicated by our Secretary of State to Great Britain, together with the expression of the hope of the President that a way to bring about peace might be found, and his readiness "to aid in any friendly manner to promote so happy a result." What we thus did being in pursuance of a request for intervention, and the request having been made by reference part of our dispatch, we might, perhaps, have been considered as intimating the possibility of our taking such a step. The reply from the British foreign office was better phrased. It thanked the President for "his friendly interest" (thus treating our action as meant to be friendly to Great Britain), while stating explicitly that "her Majesty's Government could not accept the intervention of any other power."

The United States, so far as they had engaged in world politics up to the date of President McKinley's first administration, had done so as idealists. They had acted with no immediate view of national aggrandizement.

Our participation in the Pan-American Congress of Panama, in 1826, sprang from a desire, to use Jefferson's words, "to make our hemisphere that of freedom." In that of 1890, at Washington, we were seeking to substitute arbitration for the never-ending succession of revolutions and political assassinations which constitute the public annals of the South American republics.

Our conventions for the suppression of the slave-trade, and the erection of international courts for that purpose, were solely founded on sentiments of humanity.

But wealth necessarily brings new powers and new responsibilities. There is, as Goethe said, a dignity in gold. Our national growth in numbers and riches gradually and inevitably was forcing us into closer relations with foreign courts. Our commercial establishments in Samoa had brought us in 1890 into a tripartite convention with England and Germany, in the nature of a protectorate. Those at Hawaii were fast drawing us towards annexation. Our ministers plenipotentiary at the great capitals had been replaced by ambassadors.

New occasions for American participation in foreign affairs were also furnished by the spread of Christian missions.

It was the American missionary that brought us into such close relations with Hawaii. He created a market for our goods. His children, as they grew up there, became the governing power.

Our share in the present conflict with China is largely, though more remotely, due to what our citizens have done to propagate Christianity there; and there is no other cause for the strained relations between the United States and Turkey, which led to the practical withdrawal of our minister from Constantinople in 1899.

In the New Hebrides, where the Christian natives now number about a quarter of the population, their fellow countrymen threaten them with a war of extermination, and the Presbyterian Board of Foreign Missions applied to the President, a few weeks ago, for the dispatch of a man of war to protect American interests in that quarter.

Under the influence of all these forces, the United States were being gradually driven into a more active participation in the business of the world, when it was precipitated by the events

of the Cuban insurrection. Still, our controversy with Spain was in its first beginnings idealistic. We were actuated by sentiments of humanity, sympathy and brotherhood. It shocked us to see year after year of bloodshed and rapine pass unchecked, almost within sight of the coast of Florida. At last, in 1897, in the same plain, outspoken (shall we say blunt?) way which we had pursued with Great Britain in regard to the Venezuelan difficulty, we notified Spain that order must be soon restored in Cuba, or we might feel obliged to intervene and restore it ourselves. It was to be, to quote the language of President McKinley's first annual message, "intervention on humanitarian grounds": it was to be rested on "a duty imposed by our obligations to ourselves, to civilization and humanity."

The destruction of the *Maine* in the harbor of Havana was the real parting of the ways for the American people, as to their foreign policy. It aroused a passion for revenge, which for the time put the sentiment of humanitarianism almost out of mind. Dr. Chalmers wrote a great sermon on "The Expelling Power of a New Affection." There was no room here, in the Spring of 1898, in the heart of the people for any other thought, as regarded Spain, than that she must be made to suffer for a crime which, if she had not committed, her misgovernment had made possible. She denied all responsibility for what had occurred, and offered to submit the matter to arbitration. Eight years before, Congress, by concurrent resolution, had requested the President "to invite from time to time, as fit occasions may arise, negotiations with any government with which the United States has or may have diplomatic relations, to the end that any differences or disputes arising between the two governments which cannot be adjusted by diplomatic agency may be referred to arbitration, and be peaceably adjusted by such means." We did not concur with Spain in thinking this "a fit occasion" for resort to such a mode of adjustment. She made her proposal on March 31, 1898. No reply to it was made by our government, but on April 11th the President sent in his message recommending armed intervention. In ignoring the overture for arbitration, he probably spoke the wishes of the country. Right or wrong, the American people, at that moment, preferred the

use of force. A notice to quit Cuba was given to Spain on April 28th, and we then drove her out of the West Indies altogether, with the strong hand.

The course of the war took our navy to the Philippines, and here rose the first great landmark of our entrance into world politics. We captured a great city. We found ourselves under obligations to protect large property interests, belonging to citizens of neutral powers. Spain was soon at our mercy. What terms of peace should be prescribed? We concluded to adopt the rule of *uti possidetis*. In truth, the war had wakened the tiger in us. It was our first real taste of blood: it gave us, that is, our first conquests. The Mexican war had resulted in large purchases of territory, but we can hardly call our acquisition of Porto Rico or the Philippines anything but spoils of victory, notwithstanding the *solutum* of twenty millions provided for in the treaty of cession.

With Manila an American port, our relations with China became necessarily closer. She, on the other hand, looked with little favor on the passing of the Philippines from the possession of a weak power to that of a great one, already insisting on the policy of the Open Door. The Chinese grew impatient of the dominance of the foreigner. The legations were besieged, and an American army was soon on its way to their relief.

Meanwhile, the Hague Conference had done its splendid work. Here, from the first, the United States found their new station in the world fully recognized. One of their ambassadors headed their delegation, and was accorded an influence second to almost none. No one can read the clear and full account of the doings of this Conference, for which the public are indebted to Mr. Holls, without observing the weight which was justly attached to whatever fell from the representatives of the United States.

The Hague convention as to the settlement of controversies between nations by mediation, commissions of inquiry, or arbitration, has done much to smooth our way in dealing with foreign affairs. It delegates the *droit de force* to a secondary place as a rule of practice for the world. We can offer mediation, join in commissions of inquiry, go before an international court, as easily as any power. But unable as we are to wage war, save

in self-defence, except by a special act of Congress, we are almost disqualified from becoming a great military power.

In fact the United States go into their new world-field hampered at more than one point by having a written constitution, to which every act of the administration must be conformed. The great aim of those who framed it was, as to foreign powers, to provide for "the common defence." It is a coat of armor, capital for resisting sword thrusts, but of no help in giving them. It weighs us down at every step.

The executive authority in most governments determines its foreign policy and acts with little control from courts or legislatures. It acts, therefore, with promptitude, decision and secrecy. Our President is bound to refer many matters in this field to the Senate, and the Senate has become, in course of time, by the addition of new States, too large to fulfill properly the functions of a privy council. It lacks most of the essential qualities of such a body. It is little but a brake, and what is done and said in its executive sessions is too often to be learned from the next day's newspapers.

Nor are some of our constitutional limitations less embarrassing in time of peace, when we come to deal with the results of war.

No one can read the message of the President at the opening of the present session of Congress, without being struck with the space given—and unavoidably given—to the explanation of our foreign relations. The Queen of Great Britain, a few days later, sent in a similar communication to Parliament. It had to do with a costly war, not yet concluded, and as to the mode of concluding which public sentiment was divided. But her speech was one of a single sentence. She asked supplies, and reserved to herself the consideration of all other questions. It was not necessary to take Parliament into her confidence. It was necessary for President McKinley to take Congress into his.

But something more was necessary. Even the assent of Congress to such measures as he might suggest would not make them law. They must square with this same written constitution; and every individual, native or foreigner, had the right to question their conformity to it before the courts, should he claim that they affected his interests injuriously.

When the President's message was sent in, cases were already before the Supreme Court of the United States in which the validity of his action in matters arising in Porto Rico, Hawaii and Cuba had been challenged. Others are sure to follow in long succession. Can a Filipino be tried for crime except by a jury of twelve men? Can he be tried at all for any grave offence without being first indicted by a grand jury of eighteen men? Questions like these involve, at bottom, the power of the United States to hold and govern permanently lands acquired from a foreign power and inhabited by a half-civilized people. We cannot govern such men by Anglo-Saxon methods of administering criminal justice. If our Constitution requires that, we must draw off and leave them to govern themselves or cede the lands to some other Power. We must, that is, if we conform to the original spirit of our constitutional guaranties.

Written constitutions, however, are the subject of a certain growth, and what their framers meant by the words they used is never absolutely controlling upon their construction by posterity. Gouverneur Morris is responsible for much of the language of the Constitution of the United States. But it is more important what the people of the different States understood this language to signify, than what it meant to him. They, in ratifying the work of the Constitutional Convention of 1787, took the words put before them as they stood, without asking particularly what might have been the intention of the members of the Convention in employing them. In the interpretation of any legal document the cardinal rule must be to give its terms their natural meaning, notwithstanding a more restricted or a more unlimited one may have been really intended by the writer.

Chief Justice Marshall applied this doctrine with great force in the Dartmouth College case. If the College charter constituted a contract between the founders and the State, the legislative action which Webster was attacking must be held void. But, urged counsel who opposed him, no one in the Convention of 1787 ever dreamed that a charter was a contract; nor did a single man among those by whose votes the Constitution was ratified and adopted.

"It is more than possible," said the Chief Justice, "that the preservation of rights of this description was not particularly in the view of the framers of the Constitution, when the clause under consideration was introduced into that instrument. It is probable that interferences of more frequent recurrence, to which the temptation was stronger, and of which the mischief was more extensive, constituted the great motive for imposing this restriction on the State legislatures. But although a particular and a rare case may not, in itself, be of sufficient magnitude to induce a rule, yet it must be governed by the rule, when established, unless some plain and strong reason for excluding it can be given. It is not enough to say, that this particular case was not in the mind of the Convention, when the article was framed, nor of the American people, when it was adopted. It is necessary to go farther, and to say that, had this particular case been suggested, the language would have been so varied as to exclude it, or it would have been made a special exception. The case being within the words of the rule, must be within its operation likewise, unless there be something in the literal construction so obviously absurd, or mischievous, or repugnant to the general spirit of the instrument, as to justify those who expound the Constitution in making it an exception."

By emphasizing certain of its terms, and minimizing others, great changes from anything which the framers of that instrument can reasonably be supposed to have contemplated, have, in the past century, been wrought by the people and sanctioned by the judiciary. More of this work, no doubt, is yet to be done in the same way.

The powers of the President of the United States have been steadily growing, ever since that great office was created, at the expense of those of the legislative and judicial departments. They will continue to grow, as new occasions for their exercise arise; first because the yearly multiplication of federal law is constantly enlarging their subject, and second, because he is the only representative in our system of government of the whole American people, and speaks in a certain sense with their authority.

A single instance will suffice to illustrate this tendency.

Some ten years ago a man was arrested on a warrant from a proper magistrate of one of our States on a charge of murder. He had, in fact, killed another, but claimed to have done it in the exercise of his duty as a deputy marshal of the United States, in order to save the life of one of the judges of the United States from a felonious attack. If so, he had a perfect defence in the courts of the State, should he be brought to trial there before a jury. Instead, however, of abiding such an issue, he secured a summary discharge from a federal judge upon a writ of *habeas corpus*. The executive department, it was held, in virtue of the general obligation of the President to "take care that the laws be faithfully executed," had implied power to surround the judiciary with armed guards, whenever and wherever there was just reason to apprehend attack, and no State could hold them to account for what they might do in its defence.¹

As the President is invested with the entire "executive power" of the United States, and as it is the executive power of a nation which must maintain its communications with other countries, he has always been the real director of our foreign policy. Having the initiative, it has been easy for him to place us in a certain position, to commit us to a certain line of conduct, from which it was practically impossible to recede. Recognized as having the sole means of authentic intelligence as to the doings of other nations, his recommendations as to legislation affecting our relations to them carry the greatest weight. Irresponsible to Congress, and practically irremovable from office, he can give the fullest force to his own individual ideas of right and duty.

These attributes of the President make us fitter than most republics to play the part of a Great Power in large questions of diplomacy.

The veto of the Senate on the treaty-making power puts, indeed, an obstacle in the way of prompt action, and often of salutary action, which necessarily impairs the consistency of our foreign policy. But this has become of less importance since the constitutional changes, of late years, through which treaties involving important interests are now, in many other countries,

¹ *In re Neagle*, 235 United States Reports, 1.

made subject to ratification by legislative action. The world has become patient of popular opposition to measures of administration.

It is also easy for an administration to forestall any unfavorable reception of a treaty by the Senate, in most cases, by a little management. If the chairman of its Committee on Foreign Relations is consulted in advance by the Secretary of State, and kept informed of the progress of negotiations, he will be very apt to give his support to whatever is brought forward as the outcome; and his voice in such a matter is likely to control.

There would be inconvenience, if not danger, in thus taking a particular senator into the confidence of the President, should it ever come to be practiced as a thing of course. It would raise up a new office in the government. The chairman of this committee would become another Secretary of State, and should he differ in opinion with the rightful holder of that position, collisions might occur which can never arise so long as we adhere to the constitutional theory of the executive power,—that it is one and indivisible.

It has been suggested that the absence of any such previous consultation was one of the reasons for the recent action of the Senate on the Hay-Pauncefote treaty respecting the Isthmian canal. If it in fact was thus regarded by Senator Davis or Senator Lodge as the deprivation of a customary privilege, the defeat of the administration was better for the country than anything that could be gained from a vote of ratification. The President cannot be too vigilant in guarding his high prerogatives. Unless kept absolutely intact, the balance of the Constitution is disturbed, and an inroad made upon our scheme of government at the point of least resistance.

Had the Senate always remained the body of twenty-two men which it was originally, the President might have continued the practice of our early administrations, and taken a personal part in their executive sessions. But even then he could not safely have made one or two, as of right, his confidants in advance. His individual responsibility would have been lowered, and cabals would have been a natural result.

The great enlargement of the Senate intensifies these reasons for maintaining at this point the absolute independence of the

executive department. So, even more strongly, does our entry into world politics. It is a change of position, which, as has been pointed out by Professor Reinsch of the University of Wisconsin,¹ necessarily endangers one of the unwritten and yet one of the strongest safeguards of the Constitution.

This is the existence of an organized and effective opposition in both houses of Congress.

The Constitution provided explicitly, in one instance, for the support of such a minority, by requiring the yeas and nays to be taken and recorded upon any vote, at the request of a fifth of those present. This protection to them has in part been taken away in the House of Representatives, of late years, by the closure rule. Their continued existence, or at least their healthy vitality, will be henceforth threatened by the opportunity which the party in power will always have, when maintaining a policy of foreign war or conquest, of appealing to patriotic feeling and raising the cry of "our country, right or wrong." The political press, during the recent Presidential campaign, did not hesitate to denounce those who went by the name of "anti-imperialists" as the main supporters of Aguinaldo, and to assert that the speeches in Congress of those who denounced the military measures directed against him were prolonging his resistance to our lawful authority, and that they were responsible for bringing hundreds of our soldiers in the Philippines to untimely graves.

There is an absorbing interest in great national events of worldwide interest, in wars and rumors of wars, in conquests of new lands, in the framing of governments for subject races, in joining with other powers in imposing fundamental political changes on distant empires, that dwarfs all the ordinary questions of home concern. As to those, men who differ can speak out with little fear of misconstruction or misrepresentation. On questions of foreign policy, when what is said in Congress is forthwith telegraphed to every quarter of the globe, public men are under a certain compulsion to speak with reserve and hesitancy.

A cessation of hostilities in the Philippines, should we continue to retain our sovereignty there, would lessen but not remove the difficulties in the way of maintaining a parliamentary opposition.

¹ *World Politics at the End of the Nineteenth Century*, 335.

Foreign questions must still, for years, largely overshadow domestic ones. Yet, for their proper treatment, the freest discussion is a necessity. We are accused by the Germans of a contempt for international law and treaty obligations, when they stand in the way of national aggrandizement, for which they have even coined a word, "*Americanismus*." The tone of many of our newspapers, and the language attributed to some of our senators during the discussion of the Hay-Pauncefote treaty, give some color to the charge. It certainly, however, has not yet fastened on the American people. It never can, if political discussion in Congress is kept free and earnest on party lines.

The House of Representatives in Missouri surprised the country last month by adopting this resolution:

"Whereas, the sympathies of the American people go out to all nations and all peoples struggling for liberty; therefore, be it

Resolved, That the House of Representatives of the Forty-first General Assembly of Missouri extend sympathy to the people of the Philippine archipelago in their heroic struggle for freedom."

The vote by which this action was passed (of 75 to 47) indicates that it received the support of one party, and was opposed by the other. Such an expression of opinion on the part of the legislative authorities of a State was, of course, beyond their proper province, irrespective of the grave objections to its form and nature; but the incident tends to illustrate one saving characteristic of American politics. There will always be some States in which the party represented by the national administration will be in the minority, and there the fullest discussion and the freest action is assured.

It is fortunate that the traditions of the Senate have thus far preserved in that branch of Congress the right of speech without limitation of time. Its character as an assembly of the representatives of sovereign States demands this. The minority in the Senate can therefore always be more outspoken than that in the House, independently of the effect of their longer tenure in office.

The check upon the foreign policy of the administration furnished by the power of the Senate to amend or reject treaties,

which, now that we are one of the Great Powers, the President will often find inconvenient in matters where concerted action is to be taken, is not supported by any right of abrogation. A treaty, under our Constitution, is a law, and can only be set aside by another treaty, or by Act of Congress. No other treaty can be proposed, save by the President. No repealing statute can be passed without his consent, unless it secures the votes of two-thirds of each of the two houses. This gives him a far greater assurance than the heads of most republics have possessed, in dealing with foreign courts.

Nor has the Senate, in its capacity as a treaty-ratifying body, been always unwilling to assent to an extension of the President's authority in new directions.

A marked instance of this was the ratification, last year, of the Hague Convention as to International Arbitration.

This document was the work of a Conference of sovereigns and individual representatives of sovereignty, acting through their respective plenipotentiaries. It pledges the signatory powers to certain lines of conduct and clothes them with certain functions.

In most of our treaties and conventions with foreign nations, "the United States of America" have been named as the contracting party, though the term is often treated as equivalent to "the President of the United States." The Hague Convention names only the President. He is the contracting and signatory power.

It provides for mediation, and the authority to offer or accept it in behalf of the United States is necessarily in the President. It provides for international commissions of inquiry to be constituted "*par convention spéciale entre les parties en litige.*" Who is to make such an agreement on the part of the United States? Obviously the President. It provides for an International Court of Arbitration, and that "*Chaque Puissance Signataire désignera, dans les trois mois qui suivront la ratification par elle du présent Acte, quatre personnes ou plus,*" as members of this court. How has this appointment been made in behalf of the United States? In his message at the opening of the present session of Congress, we find these words: "In accordance with Article XXIII of the convention, providing for

the appointment by each signatory power of persons of known competency in questions of international law as arbitrators, I have appointed as members of this court, the Hon. Benjamin Harrison of Indiana, ex-President of the United States; the Hon. Melville W. Fuller of Illinois, Chief Justice of the United States; the Hon. John W. Griggs of New Jersey, Attorney-General of the United States, and the Hon. George Gray of Delaware, a Judge of the Circuit Court of the United States." This is communicated simply as a piece of information. He has done the act. He has not asked the consent of the Senate. Why should he? He must seek it, under our Constitution, when he appoints ambassadors, public ministers, and consuls, judges of Supreme Court, and most other officers of the United States. But the members of this International Court are not officers of the United States. They are officers of a world-court.

Similar action had been often taken by our Presidents in appointing arbitrators under previous treaties made for the purpose of settling some particular controversy.

The day must soon come when the United States will have occasion to invoke the action of this court. What will be our procedure? Article XXIV of the Convention provides thus for it: "*Lorsque les Puissances Signataires veulent s'adresser à la Cour Permanente pour le règlement d'un différend survenu entre elles, le choix des arbitres appelés à former le tribunal compétent pour statuer sur ce différend, doit être fait dans la liste générale des membres de la Cour.*

A défaut de constitution du tribunal arbitral par l'accord immédiat des parties, il est procédé de la manière suivante:—

Chaque partie nomme deux arbitres et ceux-ci choisissent ensemble un surarbitre.

En cas de partage des voix, le choix du surarbitre est confié à une Puissance tierce, désignée de commun accord par les parties.

Si l'accord ne s'établit pas à ce sujet, chaque partie désigne une Puissance différente, et le choix du surarbitre est fait de concert par les Puissances ainsi désignées.

Le tribunal étant ainsi composé, les parties notifient au bureau leur décision de s'adresser à la Cour et les noms des arbitres."

The successive acts thus contemplated on the part of a moving party are of an administrative character, and it must fall to the President to perform them.

But what is to be submitted to the arbitrators for determination? By Art. XXXI, "*Les Puissances qui recourent à l'arbitrage signent un acte spécial (Compromis) dans lequel sont nettement déterminés l'objet du litige ainsi que l'étendue des pouvoirs des arbitres. Cet acte implique l'engagement des parties de se soumettre de bonne foi à la sentence arbitrale.*" Following the line of reasoning heretofore pursued, it is difficult to escape the conclusion that the President is to settle the terms of the subject in controversy and the extent of jurisdiction conferred, and by his sole agreement to pledge the faith of the United States for the fulfillment of the award.

This is a tremendous power for a republic to lodge in one man's hands; but in matters less important not dissimilar functions had been entrusted to him, or to his executive agents, in previous instances.

Thus in 1871 a convention was made with Spain to refer to arbitration certain claims of citizens of the United States against her for injuries received at the hands of the Cuban authorities. One arbitrator was to be appointed by the Secretary of State of the United States, and one by the Spanish minister at Washington; these two to agree on an umpire. "Each government" was to name an advocate, and the "Government of the United States" was to present the claims in controversy; the awards to be final and conclusive.¹ The Attorney-General advised that the President was the government for the purpose of naming our advocate, such an official being considered as "of a peculiar nature created by the agreement between the two powers."²

The President, or the State Department, would, of course, in any case of this kind, be compelled, in presenting a claim, to define it; that is, to define the subject to be determined by the joint commission.

Our convention of 1828 with Great Britain, for the adjustment of the Northeastern boundary by arbitration, provided that each party should prepare and submit such a statement of its case as

¹ *United States Revised Statutes*, II, 720.

² *13 Opinions of the Attorneys General*, 425.

it should think fit.¹ It needs no argument to show that to state our case, that is our claims, for this purpose, must have been meant to be purely and finally a matter for the President; yet according as it was drawn, so might the boundary be established. The Behrings Sea Convention of 1892 contained similar provisions.² Such is indeed almost the necessary procedure in all international arbitrations.

In 1883, we made a convention with Mexico for the better demarcation of boundaries. "Each government" was to appoint certain persons, headed by a chief engineer, to constitute together an "International Boundary Commission" with power to set monuments at such points as might be agreed on by the two chief engineers. By "Government" was here plainly meant the proper executive power in each republic.

By an Act of Congress passed in 1872, the Postmaster-General, "by and with the advice and consent of the President, may negotiate and conclude postal treaties and conventions."³ This has been done in repeated instances,⁴ and is, of course, in substance, the negotiation and execution of an agreement with a foreign power by the President, without asking the concurrence of the Senate, or rather by virtue of their consent given in advance. The statute in terms, indeed, purports to delegate to the executive the absolute power to make treaties on a certain subject, but the use of the word "treaties" was probably an inadvertence. There may be a bargain between independent states, which is something less than a treaty, and postal conventions are in the nature of commercial transactions without any direct political significance.

By the *Convention Postale Universelle* concluded by our government with other powers, under authority of this statute in 1891, any controversy as to its meaning is to be decided by arbitrators, one of whom is to be chosen by "*chacune des Administrations en cause.*" For us this "Administration" must mean the Postmaster-General.⁵ He raises the question, puts it in proper form, and selects the judge.

¹ United States Revised Statutes, ii, 313.

² 27 United States Statutes at Large, 104.

³ United States Revised Statutes, i, Sec. 398.

⁴ See 25 United States Statutes at Large, 1385, 1393, 1401, 1472.

⁵ 28 United States Statutes at Large, suppl. 27, 41.

To state the point under consideration in its simplest form, the President has a double duty in regard to every treaty of the United States. He must superintend its execution as a contract;¹ he must also take care that it is executed as a law. It may require that certain things be done by the United States. If so, it is he that must do them, so far as they are of an executive character. It may simply authorize such things to be done by the United States. If so, it authorizes him to do them, so far as they are of an executive character. A treaty in a word, which leaves any matters to the future determination of the President, vests him with the power to determine them as effectually as an *Act of Congress* could do.²

The Hague Convention, when ratified by the Senate, became thus a standing warrant or, so to speak, a power of attorney, from the United States to the President to submit such international controversies as he might think fit to the ultimate decision of the International Court of Arbitration.

The view here taken of the functions of the President under this Convention is opposed to that favored by Mr. Holls, one of those who helped to frame it, in an article contributed by him to the *Review of Reviews* in November, 1899. He there said that whenever arbitration is sought by the United States "the litigating parties are to sign what is called the compromise, but what is in reality the treaty of arbitration for the particular case, requiring on the part of the United States ratification by the Senate in every instance." No reasons are given for the conclusion thus announced, and none are apparent except the extreme gravity of the act in question, and the possible impolicy of allowing one man thus to put at risk great national interests and pledge the public faith. Were our President a titular sovereign, these considerations would seem of little weight. He is not that, but he has many of a sovereign's powers. It is not inconsistent with free

¹ *The United States v. The Peggy*, 1 Cranch's Reports, 103.

² *Fong Yue Ting v. United States*, 149 United States Reports, 698, 714. See the careful study of the Congressional precedents as to delegating legislative or quasi-legislative power to the President, by Edward B. Whitney, formerly Assistant Attorney General of the United States, in the *Columbia Law Review*, 1, 33.

government to give high functions to great officers. England is essentially a republic, but her King certainly has the powers under the Hague Convention which Mr. Holls would deny to the President. It is noticeable that in his extensive treatise on the work of the Conference, published since the convention was ratified by the Senate, no reference is made to any such limitation on the President's powers.

The control of Congress and primarily of the House of Representatives over the treasury may, no doubt be a serious impediment to executive action. A refusal of the necessary appropriations to satisfy our treaty obligations is always a possibility; but experience has proved that it is little more. Public sentiment, with rare exceptions, will be behind the President, upon such a question, for the newspapers which manufacture or mirror it seldom depart avowedly from ethical ideals, and still more seldom allow the people to forget their transgression by legislators.

A review of our political limitations, therefore, shows few that are radically inimical in practice to effective diplomacy. If, as a Great Power, we must at some points move more slowly than the rest, at others we need hesitate less than they. There is no ministry to be overthrown, if the President's policy fails to command the approval of Congress. There is no fear of a more and more rigorous conscription to chill any public ardor for war. There is a strength of position to the President, when entrenched behind a treaty once ratified by the Senate, which no mere majority in Congress can overcome. He needs the help of but a bare third of either house, in such a case, to keep things as they are.

It has sometimes been said, though seldom by any but Americans, that we ought not to mingle in the affairs of other continents, because we could rarely be represented by men able to negotiate on equal terms with the European diplomatists. It is true that we have no leisured class from which to select, composed of men who from childhood have been trained in the usages of good society and brought into close contact with those familiar with foreign offices and courts. But we have another

class, gifted on a different side with special qualifications for the diplomatic and consular service, and from which that service among us is, as to its higher places, in fact mainly recruited. It is the American bar. The nominations come from a President or a Secretary of State who is commonly a lawyer. It is a committee mainly of lawyers to which, in the Senate, they are referred; and the ambassador, or minister, or consul-general thus appointed is, in a majority of instances, a member of the bar, or at least one who has received a legal education. The knowledge and training which this implies are such as to bear directly on a man's ability to conduct a diplomatic controversy. He will be apt to see the real point involved; to detect fallacies in argument; to be patient of delay; to seize his opportunity, when it comes, and to press it to the utmost.

Nor is this all. Whether our representatives at the principal foreign courts are or are not lawyers, it is practically necessary that they be men of independent fortune, on account of the small salaries attached to these positions. A property qualification has, in effect, been thus imposed. It cuts us off, not infrequently, from securing the services of better men than those we send. President Noah Porter and Judge Dwight Foster of Boston may be mentioned, for instance, as among those by whom the mission to Great Britain has been declined, in part, at least, because their private means were insufficient to allow them to fulfil its social duties as they would wish. But, on the other hand, it cuts us off from the office-seeker, who goes into politics for the money he can get out of it; nor is it to be denied that the possession of wealth is generally evidence of mental capacity, joined with sound judgment, either in the man who has it, or in his immediate ancestors, some of whose traits he is also not unlikely to inherit.

The great families in European monarchies are practically accorded a certain preëmptive right in respect to diplomatic preferment, if they show any sort of adaptation to such functions. We are free from any such incubus, and this goes far towards balancing our want of a class both leisured, cultured, and rich, from which to recruit our foreign service. We miss, however, those ties of inherited friendship and life-long association, which bind the aristocracy of one land to that of another. That is a

legitimate and powerful means of smoothing the way to the confidence of foreign ministers and courts, which can seldom exist when there are no privileged orders in society.

But were the material for our diplomatic service worse than it is, our weight as a Great Power would be less affected than would be possible in the case of any other nation. It is the necessary result of our accumulated and accumulating wealth, and it is likely to come in question seldom except when we are pressing commercial and pecuniary claims. The world has become our debtor during the last four years, to the amount of two thousand million dollars. The German Empire has placed a loan in Wall street. Foreign militarism is wasting in barracks and camps the labor power which American youth is devoting to profitable production. We sell the bread on which European armies are fed. The business of our diplomatic representatives is henceforth to be largely of a consular description. They will be agencies to extend trade and collect bills. These are plain matters and can be handled by men who might be incompetent to plan alliances, arrange court marriages, or pave the way towards military conquest.

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THE ATTITUDE OF THE AMERICAN GOVERNMENT TOWARD AN INTEROCEANIC CANAL.

THE nineteenth century had run more than a quarter of its course before the government of the United States gave expression to any opinion on its attitude toward an Interoceanic Canal, and even the formal request of the Republic of Central America for the coöperation of the United States in the opening of a ship-canal, which was made in 1825, found our government apparently destitute of any clearly defined notions regarding the best means for protecting and controlling a work of that character.¹ Something more than a year passed before its views on that subject were made known.

The first statement of them came from the pen of Henry Clay and form part of his instructions to the American delegates to the Panama Congress. After asserting that a ship-canal across the isthmus would constitute a proper subject for consideration by that body, Mr. Clay states that such a work would be of more or less interest to all parts of the world, and especially to this continent. It should, therefore, be effected by common means and united exertions, and not left to the unassisted efforts of any one power, neither should its benefits be appropriated to any one nation, but extended to all parts of the globe upon the payment of just compensation and reasonable tolls. In harmony with these views, Mr. Clay gave explicit instructions that any proposals for the joint construction of the work should be received and transmitted to the government with the assurance that they would receive attentive examination with a view to reconciling the conflicting views of all American nations.²

Such, in brief, was the first authoritative statement concerning the attitude of the United States toward such enterprises. Although necessarily couched in general and indefinite terms, it clearly indicated a purpose to adopt a broad and liberal policy respecting the use and control of any transisthian highway

¹ House Ex. Doc. 228, 2d sess. 25th Cong., pp. 7 and 8.

² Cong. Debates, vol. 5, App. p. 47.

that might be opened. Nevertheless, its adoption was dependent upon the attitude of other powers.

Interest in the subject of an interoceanic canal steadily grew. Already English and American companies had been formed for the construction of such a work.¹ Within the next few years a Dutch company, under the patronage of the King of Holland, entered the race for the coveted privilege of opening a canal between the two oceans, and by 1830 had secured the necessary concessions and apparently was about to begin the work of construction.² This aroused the apprehensions of the United States and urged the government forward in the development of a definite policy respecting the proper status for the proposed work. The right of the United States to equal privileges with other nations in the use of the canal was asserted. In order permanently to secure this right it was demanded that American citizens and even the government itself should be permitted to subscribe to the stock of the company.³ The early failure of the Dutch enterprise made it unnecessary for the government to press the matter further. Nevertheless, this incident revealed the fixed purpose of the United States to prevent any foreign power from monopolizing the channel.

Failure of the Dutch enterprise, however, was not followed by a decline of American interest in interoceanic communication. On the contrary, both government and people gave it increased attention and the result was the development of more advanced ideas. Neither the friendly attitude of the government nor the most positive assurance that no other power would be permitted to monopolize the use or control of any sea to sea highway, satisfied the people. They now demanded that the government should facilitate the construction of an interoceanic canal.

By 1835 this demand had become too strong to be ignored by Congress. Early that year a resolution passed the Senate calling upon the President to consider the expediency of treating with the governments of Central America for the effectual protection

¹ House Rept. 322, 3d sess. 25th Cong., p. 146.

Sen. Rept. 339, 1st sess. 29th Cong., p. 23.

² Ibid., p. 23. House Ex. Doc. 228, 2d sess. 25th Cong. pp. 10-13.

House Ex. Doc. 228, 2d sess. 25th Cong., pp. 25 and 26.

of such individuals and companies as might undertake to open a communication between the Atlantic and Pacific oceans. The resolution likewise required that the contemplated treaties should permanently secure to all nations the free and equal right of navigating the canal.¹ The only immediate result of the Senate's action, however, was the dispatch of an agent to Central America to obtain information concerning existing projects, including contracts with foreign powers, for the opening of a ship-canal between the two oceans.² Apparently the executive was not ready to commit the government to a more decided course. At all events nothing further was done at that time and the following year the President frankly announced that it was then inexpedient to open negotiations respecting the protection and enjoyment of a waterway between the two oceans.³

However, Congress did not share that view and the subject of interoceanic communication continued to attract more or less attention in both branches. One result of this was an elaborate report, presented during the closing session of the twenty-fifth Congress, explicitly asserting the necessity for international coöperation for the construction of a ship-canal across the isthmus, and urging that negotiations looking to that end be opened with the leading powers.⁴ In this respect the report reflected the popular sentiment of the time. Such a course, was zealously advocated in the leading financial and commercial centers of the country for several reasons.⁵ The leading powers of Europe must be enlisted in the undertaking in order to obtain the necessary capital. The cooperation of the States of Central America was likewise essential since they possessed the sole and undoubted right to dictate the terms upon which a canal could be opened through their territories. Moreover, the only way the United States could provide effective security for her interests was by cooperating liberally and efficiently with other powers in promoting the construction of the desired transit. It was, therefore, highly desirable that no time be lost in opening negotiations

¹ Sen. Journal, 2d sess., 23d Cong., p. 228.

² House Ex. Doc. 228, 2d sess., 25th Cong., p. 3.

³ Sen. Journal, 2d sess., 24th Cong., p. 101.

⁴ House Rept. 322, 3d sess., 25th Cong., pp. 2, 104, 174 and 175.

⁵ Ibid., 145, 2d sess., 30th Cong., p. 23.

for that purpose, lest dispositions might be made which would preclude the possibility of proper security for American interest.¹ So importunate were the demands for such action that in 1839 the matter was taken up in the House. The result was the passage of a resolution similar to the one passed by the Senate four years previous. Like its predecessor, it called upon the President to open negotiations with foreign powers for concerted action in constructing a ship-canal between the two oceans that should be open to all nations upon terms of equality.² This resolution, however, was as barren of practical results as the former one. Yet the subject of interoceanic communication lost none of its interest for the American people and as time passed more and more attention was given to it.

This increased attention revealed the almost insuperable obstacles to the construction of a ship-canal and led to the consideration of substitutes for a water transit. Naturally railroads were suggested as a proper substitute; a larger number of routes were adapted to them and they could be built at a much less cost. For a time the advocates of this mode of communication rapidly grew in numbers and urged their views upon the public with increasing vigor. Yet the idea of a ship-canal was not abandoned; interest in it kept pace with that in land communication. In a word, that interest had already culminated in the demand for some means of communication between the two oceans.³ Moreover, the idea was gaining ground that such a work was absolutely essential to the commercial welfare and prosperity of the United States. This led many to believe that the matter should no longer be left to the unaided efforts of individuals or private corporations, but should receive the active countenance and support of the government.

But the people soon came to realize that the mere construction of a transit between the two oceans would not meet all the requirements of the case. It was equally important that the completed work should be placed upon a satisfactory basis; otherwise it might prove to be a source of annoyance and injury to the

¹ House Rept. 322, 3d sess. 25th Cong., pp. 114 and 115.

² House Rept. 322, 3d sess. 25th Cong., p. 7.

Sen. Rept. 339, 1st sess. 29th Cong., p. 26.

³ House Ex. Doc. 77, 1st sess. 28th Cong., pp. 7-9.

United States. Accordingly the question of a suitable status for the isthmian transits came to occupy a large share of public attention. The government became solicitous for the conservation of American interests in interoceanic highways. Its diplomatic agents and consuls were instructed to use all diligence to prevent citizens and subjects of foreign powers from obtaining greater privileges in a canal or railroad between the two oceans than were accorded to American citizens.¹ Yet it is not to be inferred from this that our government was intent upon securing any exclusive privileges in such a work for its own citizens. It still clung to the idea that a ship-canal or other means of communication should be provided through the joint efforts of the leading powers of the world, and thrown open to the use of all nations upon the same terms.

For a time events seemed to favor the development of this policy. In 1843 the Republic of New Grenada authorized her representatives to treat with the United States and other leading powers for the opening of a ship-canal across the Isthmus of Panama, on condition that the powers undertaking the work should guarantee the neutrality of the isthmus.² Although the action of New Grenada was devoid of immediate practical results, it is probable that it was an important factor in determining the attitude of the United States toward isthmian transits for a considerable period of time. At all events the actions of the government for the next few years were in accord with the indicated policy of New Grenada and finally culminated in the conclusion of a treaty with that Republic. Another potent factor in developing the American policy was the famous dispatch of Henry Wheaton, then a leading officer in the diplomatic service of the United States. This distinguished authority upon international law had, while in touch with the thought and politics of Europe, thoroughly investigated the subject of interoceanic communication. As a result of his investigations Mr. Wheaton came to the conclusion that the early construction of a canal between the two oceans was essential to the preservation of American interests against the colonizing schemes of England and France. Nevertheless, he emphasized the importance of placing the proposed

¹ House Ex. Doc. 77, 1st sess., 28th Cong., pp. 7-9.

² Sen. Rept. 339, 1st sess., 29th Cong., pp. 3 and 4.

canal under the control of the leading maritime powers of the world and providing for its permanent neutralization through international agreement. He contended that such artificial channels should be free like straits and other natural bodies of water and ought to be held in trust for mankind. Furthermore, the spirit of concession and regard for the public opinion of the world were strong enough to secure the accomplishment of this worthy purpose through the joint action of the great commercial powers. Indeed, it was the true policy of the United States to unite with other powers in promoting the establishment of means for free and unrestricted communication among the nations of the world. For her to refuse such coöperation and seek an isolated and unsocial policy would prevent the attainment of her true destiny.¹

Although denied the unqualified endorsement of the government, these views and the generous offer of New Grenada were the most influential factors in facilitating the conclusion of the treaty of 1846. By its terms the United States undertook to guarantee efficaciously the neutrality of the isthmus and also New Grenada's rights of property and sovereignty in the same.² This was a wide departure from the early practice of the United States respecting foreign alliances. Yet much of the old opposition to such arrangements still remained. Proof of this is found in the effort which the government made to show that the treaty in question did not, in fact, constitute an alliance. In communicating the treaty to the Senate the President stated that the guarantee only extended to a single province and was not made for political but for commercial reasons. The United States also had a greater interest in the isthmus than any other power. Besides, the parties to the treaty were not actuated by any desire for exclusive privileges, but wished to secure the right of free and equal passage over the isthmus to all nations. Moreover, it was confidently expected that England, France, and other leading maritime powers would enter into similar agreements with New Grenada. Finally, should the United States neglect this opportunity, it was probable that other nations would obtain

¹ Sen. Rept. 339, 1st sess. 29th Cong., pp. 2-28.

² Haswell's Treaties of the United States, p. 205.

exclusive privileges in the transit and thus deprive her of its advantages. It was, therefore, incumbent upon the United States to ratify the treaty. Yet if the peculiar features of the case did not greatly impair or wholly destroy the objections to such alliances, then the stipulations should not be entered into no matter what their advantages might be.¹

Although the treaty of 1846 was ratified by the Senate, many, including the next administration, looked upon it as establishing a dangerous precedent.² Nor was this view repudiated for many years thereafter, notwithstanding the added interest in the subject of interoceanic communication resulting from the Mexican War. That struggle, which came to a close almost simultaneously with the ratification of this treaty, gave to the United States a vast region bordering on the Pacific Ocean. It was at once recognized by the people of the United States that an isthmian transit was essential to the development of that region. In fact, there were many who regarded such a communication as absolutely necessary for the maintenance of American dominion on the Pacific coast.³ Accordingly, steps were at once taken to secure suitable concessions for the opening of a canal or railroad between the two seas. Mexico was offered a large sum for the privilege of opening a sea to sea railroad by way of the Isthmus of Tehuantepec.⁴ The offer being refused, attention was directed to the route by the San Juan River and Lake Nicaragua. Government agents and private companies vied with each other in their efforts to secure a concession for a transit by that route. But no sooner had a suitable grant been obtained from Nicaragua than an unexpected obstacle to the enterprise appeared. Part of the route for the proposed transit lay within the territory claimed by Great Britain for the Mosquito Indians and that power at once gave notice that no infringement of the Mosquito rights would be permitted.⁵ Obviously Great Britain was determined that the United States should not acquire a monopoly of the

¹ Cong. Globe App. 27, p. 252.

² Sen. Ex. Doc. 97, 1st sess., 32d Cong., p. 12.

³ Sen. Ex. Doc. 27, 2d sess., 32d Cong., p. 32.

Dem. Rev., vol. 23, p. 412; vol. 27, p. 537. Whig Rev., vol. 9, p. 332.

⁴ Sen. Ex. Doc. 97, 1st sess., 32d Cong., pp. 60 and 61.

⁵ Sen. Ex. Doc. 27, 2d sess., 32d Cong., p. 20.

Nicaragua route. To the popular mind, then intensely jealous of England's motives, it appeared that she was intent upon checking the development of the country if not upon destroying the integrity of the Union. Under those circumstances the government of the United States felt constrained to adopt a definite policy respecting the status and control of any isthmian transit that might be opened. Moreover, public sentiment demanded that whatever else might be true of it, the new policy must facilitate the early construction of a transit between the two seas. But that necessitated the removing of the obstruction to the enterprise which the British protectorate of the Mosquito interposed. It was equally imperative that the work should be placed upon a basis satisfactory to the leading powers of the world; otherwise it would be impossible to secure the necessary capital for the undertaking. Finally, whatever else was done, American interests, present and prospective, must be conserved.

In the light of these facts and with a view to meeting the requirements of the case, the American policy respecting the status and control of isthmian transits was adopted. A cardinal principle of that policy was that no American monopoly of the transits should be sought or maintained. In short, the government reaffirmed its adherence to the principles to which the United States had been more or less definitely committed since the issuance of Clay's instructions in 1826. Although liberally inclined toward other nations, that government was determined to secure for the United States equal rights with them in the use and control of the proposed transits. Moreover, it was a fundamental maxim of the American policy that no guarantee of sovereignty to any state should be made as the price of a right-of-way for a transit. Neither would governmental countenance be given to any project for such a work based upon an assignable concession.¹

Such was the attitude of the United States respecting the isthmian transits when, in 1849, circumstances for the first time constrained the government to take an active part in promoting the construction of a means of communication between the two

¹ House Ex. Doc. 75, 1st sess. 31st Cong., p. 121.

Sen. Ex. Doc., 1st sess. 32d Cong., vol. 10, p. II.

oceans. Negotiations were at once opened with some of the Central American States and Great Britain. From the former concessions were readily obtained,¹ but they were of little value so long as the British pretensions regarding Mosquito rights were maintained. That such would be the case was early perceived by the government and it was for the removal of that obstacle that negotiations were opened with the British government. The result was the conclusion of the Clayton-Bulwer Treaty in 1850. By the terms of that instrument, which professed to set forth and fix the views of the two governments respecting a ship-canal by the Nicaragua route, both Great Britain and the United States were forever bound to abstain from seeking or maintaining any exclusive control over the proposed channel, or exercising dominion in its vicinity or any part of Central America. They also agreed to use their influence in promoting the construction of the proposed channel and to protect the same when completed from unjust seizure or confiscation. The contracting parties also guaranteed the neutrality of the passage and undertook to invite all other powers with which they were on friendly terms to join in the stipulations for the protection and neutrality of the transit. It is also significant that the two countries were bound to extend their protection by treaty stipulations to any other practicable communications, whether by canal or railroad, across the isthmus which connects North and South America.²

Very soon after the conclusion of this instrument the two governments became involved in a bitter controversy regarding the true import of some of its provisions. Although this dispute continued almost without interruption for a decade and frequently threatened the peace of the two countries, the government showed no disposition to repudiate the principles upon which the treaty was based so far as they related to the control of the canal. On the contrary, unqualified adherence to them was frequently reaffirmed. Said General Cass, "The United States do not seek either the control or exclusive use of these

¹ House Ex. Doc. 75, 1st sess. 31st Cong., pp. 173-180.

Whig Rev., vol. 12, p. 443. British Blue Book on Cent. Am. Affairs for 1856, pp. 18 and 19.

² Sen. Ex. Doc. 47, 2d sess. 48th Cong., pp. 440-444.

routes. They desire that the advantages should be common to all nations. What the United States want in Central America . . . is the security and neutrality of the interoceanic routes which lead through it. This is the desire of the whole commercial world. If the principles and policy of the Clayton-Bulwer Treaty are carried into effect this object is accomplished."¹ But the unshaken faith of the United States in the soundness of its policy is even more conclusively proven by the treaties relating to interoceanic communication which the government negotiated during this period. These instruments not only did not conflict with the provisions of the Clayton-Bulwer Treaty, but embodied substantially the same principles.

Yet it is not to be inferred from this that the bitter controversy with Great Britain was wholly devoid of influence upon the United States. All hope of an early opening of the canal being destroyed, interest in a railroad communication naturally revived. Owing to its proximity a road by the Tehauntepec route had long been desired. As already indicated an unsuccessful attempt to secure a right-of-way for such a work was made in 1848. For a number of years thereafter the government persisted in its efforts to obtain a suitable concession for a transit through that region. Negotiations looking to that end were in progress when the Clayton-Bulwer Treaty was concluded in 1850.² Substantially the same principles obtained in the proposals which the United States made to Mexico as were embodied in the treaty with Great Britain. This attitude was maintained by the United States until sometime after the dispute arose with Great Britain respecting the treaty of 1850. But the action of that power intensified American suspicions of European motives and induced the government to take a more radical stand in opposition to foreign control of isthmian transits. Mexico was explicitly informed that the United States would never consent that a transit by the Tehauntepec route should be placed under foreign supervision or control.³

Thus matters stood till in 1853, when the conclusion of the Gadsden Treaty placed citizens of the United States upon an

¹ Sen. Ex. Doc. 112, 2d sess. 46th Cong., pp. 116 and 117.

² Sen. Ex. Doc. 97, 1st sess. 32d Cong., p. 16.

³ *Ibid.*, p. 151.

equality with those of Mexico or any other nation in the use of a transit through Mexican territory. It was also stipulated that no interest in the transit should be transferred to any foreign power.¹ This treaty, however, did not finally set the matter at rest. For some years after its conclusion foreign powers tried to obtain exclusive privileges in a transit by the Tehuantepec route. This called forth a declaration from Secretary of State Cass to the effect that the United States would never consent that any distinction should be made in favor of foreign citizens over those of the United States in the use of a transit by that route.² This was in 1857 and was soon followed by a proposal that a new treaty should be made giving to the United States a perpetual right-of-way across the Isthmus of Tehuantepec, binding the two republics to maintain the neutrality of the transit and authorizing one or both of them to use force for its protection. It also made provision that other nations should be invited to join in the guarantee of neutrality for the transit.³ In connection with this proposition General Cass declared that the United States did not want the transit for herself, but for all nations. Indeed, the time had passed when restrictions of any kind upon such a thoroughfare for the benefit of any one nation to the prejudice of the rest could be patiently tolerated. He also stated that the practice of modern commercial nations, based upon the soundest policy, repudiated the idea that any restrictions should be made in favor of any particular power on the great avenues of international commerce.⁴

Sometime previous to the proposal of the above mentioned treaty the United States government had been led to make a proposition for the more effectual protection of the Panama railroad. This contemplated the establishment of a neutral zone twenty miles in width along the line of that road. The actual control of this tract was to be given to the municipalities of Aspinwall and Panama at its extremities while Colombia was to retain nominal sovereignty. All nations were to be permitted the use of the road and were also to be invited to join in the

¹ Haswell's Treaties and Conventions of the United States, p. 697.

² Sen. Ex. Doc. 72, 1st sess. 35th Cong., p. 46.

³ Sen. Ex. Doc. 72, 1st sess. 35th Cong., pp. 48 and 49.

⁴ Ibid., p. 47.

guarantee of neutrality for the road and adjoining region.¹ The project, however, was never carried into execution and, under the auspices of the next administration, the government in 1857 emphatically declined to become a party to the joint guarantee of the isthmus. The alleged reasons for this refusal were that the United States had already guaranteed the neutrality of the isthmus and that it was contrary to her policy to enter into alliances with foreign powers. Nevertheless, all opposition to other nations undertaking to guarantee the neutrality of the isthmus was unhesitatingly disclaimed.²

Obviously the United States attached much importance to an interoceanic transit that should be a highway for the world's commerce. Yet it is equally clear that such a thoroughfare was not to be purchased at the price of an entangling alliance with an European power or a guarantee of sovereignty for a Spanish-American state. Nevertheless, the government had long insisted that the independence of the Cis-Atlantic republics should be respected and full recognition accorded to their rights of sovereignty over all transit routes through their territories.³ On more than one occasion the right of Nicaragua and other States of Central America absolutely to refuse permission for the opening of a transit through their territories had been emphatically asserted by the United States.⁴ Although the government rigidly held to these views for a number of years the course of events gradually wrought a change of attitude. By 1858 it was openly proclaimed that the possession of sovereignty over the territory traversed by a canal route did not convey the right arbitrarily to prevent the opening of a communication or even to limit its usefulness by the imposition of unreasonable or discriminating restrictions. "Sovereignty," said General Cass, "has its duties as well as its rights and none of these local governments . . . would be permitted to close the gates of intercourse on the great highways of the world, and justify the act by the pretension that these avenues of trade and travel belong to them and that they choose to shut them, or what is almost equiva-

¹ Sen. Ex. Doc. 112, 2d sess. 46th Cong., p. 24.

² Sen. Ex. Doc. 112, 2d sess. 42d Cong., pp. 151 and 152.

³ *Ibid.*, p. 111.

⁴ House Rept. 224, 3d sess. 46th Cong., p. 5.

lent encumber them with such unjust regulations as would prevent their general use."¹

But a change of attitude in this particular was not followed by a radical change of American policy as a whole. The government still disclaimed all desire for a monopoly of the isthmian transits and insisted that the advantages of such works should be equally common to all nations. Yet it was determined that no other power should obtain any exclusive privileges in the use or control of a communication between the two seas. So jealously was the freedom of the transits guarded that a proposition to station a small French naval force in Lake Nicaragua during the construction of a canal met with the emphatic disapproval of the government.²

Such in general was the policy of the United States in 1858, and such, with but slight modifications, it remained till some years after the close of the Civil War. Naturally interoceanic communication attracted little attention during the continuance of that struggle. Nevertheless the events of that period were making for a radical change of policy on the part of the United States. Indeed, it is highly probable the complications growing out of the war and the incidental revelation of European antipathy for the United States were the most potent factors in creating an urgent popular demand for an exclusively American control of any transit that might be opened between the two oceans. At all events the smoke of battle had hardly cleared away before prominent Americans began to urge that steps be taken to promote the opening of an interoceanic ship-canal under American auspices and control. As early as 1865, General Grant began to advocate the careful survey of the isthmus with a view to encouraging the opening of an American waterway, and the following year he wrote that he regarded it of vast political importance to this country that no European power should hold such a work.³

Influenced by these and similar considerations, Congress in 1866 authorized a thorough survey of the isthmus with a view to

¹ Sen. Ex. Doc. 194, 1st sess., 47th Cong., p. 134.

² Sen. Ex. Doc. 194, 1st sess., 47th Cong., p. 135.

³ House Ex. Doc. 107, 2d sess., 47th Cong., p. 30.

ascertaining the most feasible route for an ocean-to-ocean canal. This work once inaugurated was persisted in for fifteen years and resulted in the careful exploration of almost every conceivable route.¹

The following year a treaty was concluded with Nicaragua which placed the United States on an equality with that republic in the use of any transit across that part of the isthmus. The United States guaranteed the neutrality of such transits and obtained the right to employ her land and naval forces for the protection of the passage.²

Meanwhile popular sentiment had undergone a radical change and now demanded that the United States should break with the policy of the past. The government was quick to respond to this change of sentiment. By 1868 negotiations were opened with Colombia for the express purpose of promoting the construction of a ship-canal that should be under the control of the United States. Secretary of State Seward now boldly asserted that the government could not permit a work constructed by it or its citizens to be used for the advantage of an enemy or to its own prejudice.³

The result of these negotiations was a treaty signed in 1869. That instrument provided for the opening of a waterway across the Isthmus of Panama that should be under the control of the United States, and expressly stipulated that the troops and ships of war belonging to other nations at war should be rigorously excluded from the channel. The contracting parties agreed to invite other nations to give adherence to the guarantee of Colombian sovereignty over the isthmus and of neutrality for the transit.⁴ Although the treaty was never ratified it is of interest in this connection since it marks the first radical departure of the government from its time-honored policy respecting the status of the interoceanic transits.

But the attempt to secure a monopoly of control for the United States was not to be lightly abandoned. In the negotiations for

¹ House Ex. Doc. 81, 2d sess. 42d Cong.

² Haswell's Treaties and Conventions of the United States, pp. 784 and 785.

³ Sen. Ex. Doc. 112, 2d sess. 46th Cong., p. 28.

⁴ Sen. Ex. Doc. 112, 2d sess. 46th Cong., pp. 36 and 37.

another treaty with Colombia which were almost immediately begun the United States took a more radical stand in favor of an exclusively American control of the proposed canal. Although the demand for such a monopoly was a serious and perhaps insuperable obstacle to the acquisition of the necessary grant for the work, the government persistently refused to treat on other terms.¹ Indeed, under the circumstances there was nothing else for the government to do. So strong was the popular demand for an American monopoly of the transit that any arrangement admitting foreign nations to a share in the control of the work would have aroused the apprehensions of the country and led to certain defeat in the Senate. In a word, the United States had come to the conclusion that an isthmian canal was an American enterprise to be accomplished and controlled by Americans.

These negotiations finally resulted in the conclusion of another treaty with Colombia signed in 1870. By the terms of that convention the United States was bound to construct a canal across the isthmus and guarantee its protection against the hostile attacks of other nations. In return the United States was to have full possession and control of the channel and also the right to erect and maintain the fortifications necessary to protect her interests. Nevertheless it was specifically stipulated that the proposed canal should be open to all nations except those that were at war with one or both of the contracting parties. Both governments agreed to secure the adherence of other nations to the guarantee of neutrality.²

Although highly acceptable to the United States, the Colombian government refused to ratify this treaty. Thus the second attempt on the part of our government to secure a suitable grant for a transit under American control ended in failure. But these disappointments neither destroyed popular interest in the matter nor induced the government to seek the cooperation of foreign nations in building or controlling such works. About two years after the signing of this treaty it was openly asserted by Hamilton Fish in a communication to Congress that it had not been

¹ *Ibid.*, p. 46.

² *Sen. Ex. Doc. 112, 2d sess. 46th Cong.*, pp. 38-45.

the policy of our government to encourage discussion or negotiation with European powers regarding the control of an isthmian canal. On the contrary it had sought to foster the opening of such a channel as an enterprise for Americans to undertake and carry to a successful completion.¹ For a number of years thereafter this policy was maintained.

But by 1877 the United States was constrained to abandon, at least temporarily, the idea of an exclusively 'American control of the isthmian transits. For a number of years the government had relied upon its own individual guarantee of protection and neutrality for the canal to attract the necessary capital for the construction of that work. But experience had shown this expectation to be ill-founded and the government now determined to adopt a different course.² That year a treaty was proposed to Nicaragua which not only repudiated the idea of an American monopoly of interoceanic waterways, but made definite provision for joint control by the leading maritime powers of the world. Provision was likewise made for an international guarantee of neutrality in order that the canal might be free to the navigation of all nations. To such as would enter into the engagements of the treaty the canal was to be open at all times. It is significant, however, that the United States declared that she would not be bound by the stipulations of that instrument till three or more of the leading maritime powers of Europe had given it their adherence.³ But the treaty came to nought and within a very few years circumstances constrained the United States to resume her former policy respecting the control of interoceanic transits.

Doubtless the most potent factor in producing this reaction was the attempt of a French company to open a canal across the Panama isthmus. By many it was feared that the work would sooner or later fall into the control of the French government and thus become a menace to American interests.⁴ But the United States government could not be a silent witness to the consummation of an enterprise that jeopardized the interests of

¹ House Mis. Doc. 219, 2d sess. 42d Cong.

² Sen. Ex. Doc. 112, 2d sess. 46th Cong., p. 141.

³ Sen. Ex. Doc. 112, 2d sess. 46th Cong., pp. 144-149.

⁴ House Ex. Doc. 1, 3d sess. 46th Cong., vol. I, pp. 385 and 386.

the nation or its subjects. It, therefore, openly proclaimed its unqualified opposition to a foreign monopoly of the transit and declared for an exclusively American control of the work. The formal announcement of this change of attitude was made by President Hayes in March, 1880. In a message to Congress he declared the policy of this country to be a canal under American control. Moreover, the United States could never consent to surrender that control to any European power or combination of such powers. If existing treaties stood in the way of its realization, steps should be taken to establish that policy by just and liberal negotiations.¹ Congress received these views with favor and at once proceeded to act upon the President's suggestions. The house soon passed a joint resolution calling for the abrogation of the Clayton-Bulwer Treaty,² which was justly regarded as a serious obstacle to the realization of the American policy.

These sentiments were so fully endorsed by the people that Congress at its next session took a much more radical position respecting the matter. In the House the Committee on Foreign Affairs reported that the construction of a canal across the isthmus by an European power or government would be in violation of the Monroe Doctrine and could not be sanctioned by the United States. Moreover, if a ship-canal were opened at Panama or elsewhere the United States would insist that it should not be under the control of any European power.³ Hard upon this came a resolution from the Senate Committee on Foreign Relations asserting that the consent of the United States was a necessary condition precedent to the opening of a canal or the participation of other nations in its use.⁴

Meanwhile the government had once more open negotiation with Colombia. The result was the conclusion of a treaty which secured to the United States practical control of any canal that might be opened across the Isthmus of Panama.⁵ The Colombian government, however, not only rejected it but showed some

¹ House Ex. Doc. 112, 2d sess. 46th Cong., pp. 1 and 2.

² House Rept. 1121, 2d sess. 46th Cong., p. 7.

³ House Rept. 224, 3d sess. 46 Cong., p. 11.

⁴ House Reps., vol. v, d. 1, 1st sess. 47th Cong.

⁵ Le canal de Panama, par N. B. Wyse, p. 282.

Snow's American Diplomacy, pp. 340 and 341.

disposition to invite the powers of Europe in guaranteeing her sovereignty of the isthmus and the neutrality of any canal that might be opened through it. The apprehensions of this country were aroused and notice was at once given that such an arrangement would be regarded as an intrusion into a field where the interests of the United States were superior to those of all other nations. This followed from the fact that a channel connecting the two seas would for all practical purposes constitute a part of her internal communication. Consequently an agreement among European powers for its control would partake of the nature of an alliance against her, and constitute an extension of their political system to our shores and a menace to the peace and welfare of this country. Such, in brief, was the position of the United States respecting the neutralization and control of the interoceanic routes through a joint agreement of European powers as set forth by Mr. Blaine in his circular letter of June 24, 1881.¹

Having announced this policy to the world the next step was to promote its realization. Naturally attention was first directed to securing the modification or abrogation of any treaty engagements that stood in the way. Accordingly a modification of the Clayton-Bulwer Treaty was proposed to the British government. This led to a long and spirited controversy regarding the original scope and purpose of that instrument; its binding force was also called in question by the United States government, while that of Great Britain stoutly maintained it. The only important result of the controversy was to reveal the utter incompatibility of the British and American views respecting the proper status for isthmian transits.

Meanwhile public sentiment in this country had been setting more strongly in favor of an exclusively American control of the interoceanic highways. In harmony with the popular desire the government had undertaken negotiations with Nicaragua with a view to securing a suitable concession for the opening of a channel that should be under the absolute control of the United States. The most notable results of its efforts in that direction was the conclusion of the Frelinghuysen-Zavala Treaty in 1884.

¹ Foreign Relations for 1881, vol. i, pp. 537-540.

By the terms of that instrument the United States acquires the right to construct and own a ship-canal between the two oceans. She was also to become the joint owner with Nicaragua of a tract of territory two and one-half miles wide along the entire course of the canal. Besides a perpetual alliance was established between the two republics and the United States was placed under solemn obligation to maintain the integrity of Nicaraguan territory.¹ But its provisions were so completely antagonistic to the fundamental maxims of American polity that the treaty found little favor with the administration which came into power while it was pending in the Senate. President Cleveland at once withdrew it from that body and thereby originated a governmental reaction that was to continue for a number of years. During that period the government acted upon the theory that a ship-canal across the isthmus should be a trust for mankind, free from the domination of any single power and shielded from the warlike ambitions of all nations. Furthermore, this desideratum could only be realized by interesting all the leading powers in maintaining the neutrality of the route.²

The government's action, however, had very little influence with the people; they still clung to the idea that the United States should have control of the isthmian transits. This feeling was manifested in a variety of ways and ere long became influential again with the government. By 1891 Congress was ready to give force to the prevailing sentiment. In order to prevent foreigners from acquiring a controlling interest in the maritime canal a bill was passed guaranteeing the payment of the Canal Company's bonds. The bill also made it possible for the United States under contingencies to acquire virtual ownership of the canal.³

For some years after its passage the government adhered to the policy of this bill. Various attempts were made to promote the construction of an isthmian waterway by lending the public credit to private corporations or by making the nation a part owner in the enterprise. But as time passed the drift of public sentiment in favor of an American monopoly of the transit

¹ Colquhoun's *Key to the Pacific*, App. III.

² *Foreign Relations*, 1885, pp. 5-7.

³ *Sen. Rept.* 1944, 2d sess. 51st Cong., pp. 18 and 19.

became more pronounced and this induced the government to adopt a different course. Instead of lending assistance to private corporations it was proposed that the government should construct the canal and make ownership the basis for a monopoly of control. During the last few years numerous bills looking to the realization of such a scheme have received more or less attention from Congress. These bills have provided for the acquisition of a right-of-way for a ship-canal across the isthmus by the Nicaragua route and the construction of such a work at public expense. Some of them have also authorized the President to secure the abrogation of the Clayton-Bulwer Treaty or its modification to such an extent that the United States might construct, own and operate the canal under its own exclusive control. The last and most notable attempt of this kind is the present Morgan-Hepburn Bill which recently passed the House of Representatives. This bill authorizes the President to acquire from Costa Rica and Nicaragua control of such portions of their territory as may be necessary for the construction and defense of a ship-canal across the isthmus by that route. The bill also authorizes the President to guarantee to those States the use of the canal and the ports at its extremities, and appropriates \$140,000,000 for the construction of the work.

In the meantime negotiations looking toward the modification of the Clayton-Bulwer Treaty had been in progress at Washington. These resulted in the conclusion of the Hay-Pauncefote Treaty signed February of the past year. Under the terms of that instrument the United States is authorized to construct the canal and provide for its regulation and management. Yet the United States is prohibited from erecting any fortifications on the canal or the waters commanding it. It is also expressly stipulated that the passage shall be neutral and free to all nations in time of war as well as in peace. All nations are to be invited by the contracting parties to give adherence to the treaty. Thus after three-quarters of a century of discussion and negotiation the way has been cleared for the United States to construct and manage a ship-canal between the two oceans that shall be free from fortifications and open to all nations even in time of war.

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DIRECT TAXES AND THE FEDERAL CONSTITUTION.

I.

THIS article proposes for its object an inquiry into the probable historical meaning of the words "direct taxes," as used in the constitution of the United States. Its purpose is to ascertain what this phrase meant to the men who framed the constitution, and established the federal government under its provisions. Although it will become necessary to study a decision rendered by the Supreme Court in 1796, no further attention will be devoted, except incidentally, to the subsequent judicial interpretation of the direct tax clause. A satisfactory treatment of the simple historical question here presented will open a field of investigation sufficiently large for a single essay.

It can hardly be necessary to advance any arguments in justification of the methods of procedure by which this problem will be approached. The reader will be asked to dismiss from his mind all definitions advanced by nineteenth century economists, and to remember simply the distinctions that had been drawn between direct and indirect taxes prior to the year 1787. In the light of such economic ideas as were prevalent at the time, it is proposed to examine all the discussions of taxation that can be found in American writings from 1750 to 1800, so far as these have come down to us. The writer can not hope that his success in finding materials has been so complete that the reader can discover no errors of omission. But he believes that a careful examination of all the sources of information available in two large libraries has left no important opinion, or shade of opinion, unrepresented in the mass of data upon which he has based his conclusions.

In a previous article¹ the writer has attempted to trace in general economic literature the development of the distinction between direct and indirect taxes. The germ of such an idea was found in incidental expressions used by Bodin in 1579, and by a few writers of the seventeenth and eighteenth centuries.

¹ *Political Science Quarterly*, September, 1898.

In the works of these men occur such expressions as "pay taxes directly or indirectly," and the like. It was not until 1758 that the physiocrats developed in France a classification of taxes as direct and indirect. In Italy, Germany, and England, the discussion started by the physiocrats resulted in the general introduction of these terms into economic literature. In England the distinction was first used by Adam Smith in 1776, but it was many years before other writers came to adopt such a terminology.

It is now necessary to ascertain from what works the men who framed our federal constitution acquired their knowledge of the terms direct and indirect taxes. We may safely conclude that such information must have been secured from English or French writers, or from English, French, or Latin editions of books written by German or Italian authors. The German language was almost unknown in cultivated circles in America as late as 1813.¹ The same is probably true of Italian. Such English political writers as Hobbes, Locke, and Hume, were widely known; and Petty had probably been read by others beside Franklin, who had clearly followed that author's explanation of value. Bodin's *Republic* may have been familiar to many, while Montesquieu's great work had been studied most thoroughly by nearly all American statesmen.² An examination of the writings of the Revolutionary period and of the debates on the constitution shows numerous citations from Pufendorff's *Law of Nature and Nations*,³ Postlethwayt's *Great Britain's True System*,⁴ De Witt's *True Interest of Holland*,⁵ and Necker's *Admin-*

¹ For example, in that year George Ticknor set out to learn German. He could find no one in Boston able to act as instructor, and had the greatest difficulty in finding even a German dictionary. *Life, Letters, and Journals of George Ticknor*, i, 11-12 (Boston, 1880).

² This was quoted in the addresses of the Congress of 1774. Force's *American Archives*, Fourth Series, i, 930 (Washington, 1837). See Bancroft, *History of the United States*, vi, 211, author's last revision (New York, 1891).

³ *Works of John Adams*, iv, 82 (Boston, 1856); Elliot, *Debates on the Constitution*, ii, 454, second edition (Philadelphia, 1836); *Writings of Madison*, i, 129, ii, 240, 243, 248, 251, 372 (Philadelphia, 1867).

⁴ Dickinson's "Farmer's Letters," *American Museum*, iv, 463-464 (Philadelphia, 1787-1792).

⁵ *Life and Correspondence of Rufus King*, i, 301 (New York, 1894); Elliot, *Debates*, ii, 55, iii, 131.

istration of the Finances of France.¹ Sir James Steuart's *Inquiry into the Principles of Political Economy* was also a familiar treatise, and it was quoted in the discussions which the direct tax clause subsequently aroused.² We may assume, furthermore, that Bielfeld's *Institutions Politiques* was a familiar work with the men who sought with such care historical examples and political maxims for use in the great task that lay before them.

The physiocrats, also, were known in this country; and their influence may be traced in the writings of Franklin, who had come into contact with this school of economists during his first visit in Paris in 1767.³ Franklin corresponded with Dupont and other physiocrats; and, at the time of the adoption of the constitution, was discussing with some of them the question of American taxation.⁴ References to physiocratic theories may be found in the writings of other statesmen of the period.⁵

Adam Smith's *Wealth of Nations* was probably little read until the close of the Revolution. Hamilton is said to have written a commentary upon this work as early as 1783.⁶ After 1785 an increasing number of references to Adam Smith may be found in the literature of the period;⁷ while the first American

¹ Elliot, *Debates*, ii, 483.

² Tucker's edition of "Blackstone's Commentaries," i, Part I, Appendix, 232-233 (Philadelphia, 1803). The sections referred to were written prior to 1796. See also "Pendleton's Observations," in Bache's *Aurora*, Feb. 11, 1796.

³ Wetzel, "Franklin as an Economist," Johns Hopkins University Studies in Historical and Political Science, xiii, 462-467 (Baltimore, 1895); Elliott, *Tariff Controversy in the United States*, 34-35 (Palo Alto, 1892).

⁴ Bigelow, *Works of Franklin*, iv, 194, ix, 384, 400 (New York, 1887-1888). The last references concern American taxation in 1787. In E. Daire's *Oeuvres de Turgot*, i, 409-415 (Paris, 1844), there is a fragment on direct and indirect taxation, to which there is appended a note by Dupont de Nemours. Here Dupont says that this was written by Turgot for Franklin's benefit at the time when Hamilton, the finance minister of the United States, was endeavoring to extend the indirect taxes that caused the whiskey rebellion. This statement by Dupont has been accepted by a number of writers who have overlooked the fact that Turgot died more than eight years before Hamilton became Secretary of the Treasury. Dupont's statement can hardly pass at its face value.

⁵ Works of John Adams, iv, 278, 299, viii, 340, 448. Lodge, *Works of Hamilton*, i, 266 (New York, 1885-1886). Writings of Madison, i, 422. American Museum, i, 16.

⁶ J. C. Hamilton, *History of the Republic*, ii, 514 (New York, 1857-1860).

⁷ Life and Correspondence of King, i, 109; mss. quoted by Bancroft, *History of the United States*, vi, 144; Writings of Madison, i, 140; *Works of Franklin*, vi,

edition of the *Wealth of Nations* appeared in 1789 in Philadelphia.

Having thus briefly considered the probable sources from which the terms were derived, we must now consider what European writers had said prior to 1787 concerning the distinction between direct and indirect taxes. For detailed information the reader may be referred to the article published by the writer in 1898. In brief, the results of this investigation were as follows:

1. The physiocrats had been the only writers to classify taxes formally as direct and indirect. They applied the term direct only to taxes falling on the net product of the soil. All other taxes, according to their view, were shifted finally onto the income derived from land, and were considered indirect. Turgot, however, in one of his works stated that there were only three possible kinds of imposts: (1) direct upon landed¹ property; (2) direct upon persons; (3) indirect upon consumption.

2. Adam Smith, after becoming acquainted with the physiocrats, used these terms in his *Wealth of Nations*. He did not classify taxes as direct and indirect, and it is not easy to state definitely the exact meaning that he attached to the terms in all the passages where they occur. But the idea most commonly in Smith's mind seems to have been that expressed in the following passage, which was subsequently quoted in the United States: "The State, not knowing how to tax, directly and proportionably, the revenue of its subjects, endeavors to tax it indirectly

72-73, x, 52; *Works of Fisher Ames*, i, 49 (Boston, 1854); *American Museum*, v, 280, xii, 162; Ford, *Writings of Jefferson*, v, 173 (New York, 1892 —); Lodge, *Works of Hamilton*, ii, 258; *Writings of Gallatin*, i, 75 (Philadelphia, 1879); 3 Dallas Reports, 180; *Annals of Congress*, First Congress, 1215 (Washington, 1834).

¹ One of the diverting features of the income tax cases was the attempt of Mr. Seward to persuade the court that taxes "*sur les fonds*" should be translated taxes "upon the funds," *i. e.* upon property in general. Mr. Seward's Historical Argument, 73. This error was repeated in a controversy conducted, through the New York *Evening Post*, with Prof. Seligman, who had been so unkind as to call attention to this obvious mis-translation. *Evening Post*, March 12, 13, 15, and 16, 1895. It is true that, even in the seventeenth century, "*fonds*" was used in the meaning which Mr. Seward would give it in this passage from Turgot. See La Fontaine, *Oeuvres*, IX, 18. But Turgot in the following paragraphs often uses the "*sur les terres*" as the equivalent of "*sur les fonds*," thus making his meaning perfectly clear.

by taxing their expense." This might easily lead to a formal classification, in which taxes upon revenue would be called direct, and taxes upon consumption would be considered indirect.

3. Sir James Steuart, who did not use these terms, presented a classification of taxes which was subsequently quoted in this country. He distinguished between "proportional" and "cumulative" taxes. The former comprised taxes upon alienation, such as customs, excise, and stamp duties; and formed part of the prices of commodities, being paid finally by the consumer. The latter comprised taxes upon possessions, and were intended to affect the payer in such a way that they could not be "drawn back," or shifted. After the adoption of the constitution, some American writers turned to Steuart's classification.

4. The other writers of the seventeenth and eighteenth centuries that used the terms direct, immediate, directly, or immediately, when speaking of taxes, presented no very definite ideas, and offered no classifications. But it is worth our while to notice two suggestions bearing on this subject, which American statesmen received from early political writings. One is found in Hume's statement¹ that taxes upon consumption "seem, in some measure, voluntary; since a man may choose how far he will use the commodity which is taxed." Somewhat similar remarks may be found in Montesquieu. A second suggestion is found in the statements made by Pufendorff, Montesquieu, Hume, Bielfeld, and others, to the effect that taxes upon commodities are paid insensibly since they are concealed in the price of merchandise. Similar expressions occur, with tedious iteration, in American discussions of taxation.

II.

It is important for the correct solution of the question proposed by this article for us to determine how far the term direct tax had come into use in the United States before the date of the constitutional convention. If it could be shown that the word had a settled and generally recognized meaning prior to that time, our task would be greatly simplified. But, unfortunately, the facts do not support such a proposition.

¹ David Hume, "Of Taxes," 1752. Contained in *Essays, Moral, Political, and Literary*, I, 358 (London, 1882).

In an earlier article it was shown that, with the exception of a casual remark by Sir William Petty and a single expression used by John Locke,¹ no suggestion of a distinction between direct and indirect taxes seems to have been made by any English writer before the time of Adam Smith. The physiocratic definition was first advanced in 1758, but nothing was heard of it immediately upon this side of the water. Casual remarks in the works of Bodin, Montesquieu, and Bielfeld might possibly have suggested the distinction, but they do not appear to have done so. As nearly as can be ascertained by a careful investigation of American writings from 1750 to 1800, the words direct and indirect taxes were not used in this country until the close of the Revolution. Even then they were seldom used before the meeting of the federal convention, and it was not until discussion of the constitution began that the terms came into general use.²

Evidence upon this point must now be presented. Prior to the controversy over the right of Great Britain to tax the colonies, American writers had devoted very little attention to the subject of taxation. Upon this topic more can perhaps be found in the *Summary of the British Settlements*,³ by Dr. William Douglass, than in any other work written before 1760. Here the author discussed the various forms of taxation prevailing in the several colonies, and offered suggestions for the improvement of colonial tax systems. But he did not attempt to classify taxes, and did not use the terms direct and indirect.

During the controversy over parliamentary taxation there appeared a flood of writings, in which this question was discussed in all its aspects. A careful reading of the more important of these publications fails to disclose anything that resembles the

¹ Petty spoke of taxes paid "insensibly and indirectly," which was changed by a typographical error into "insensibly and directly." Locke said that certain taxes might not be paid "immediately" out of the pocket of the landowner.

² In the income tax cases the counsel claimed that the terms were "household words" in 1787, that a direct tax was understood to mean a tax that fell upon property or its owner, while an indirect tax meant one that ultimately fell upon some other person than the original payer. Mr. Seward's *Historical Argument*, 18-19.

³ (Boston, 1749, 1751.)

distinction between direct and indirect taxes.¹ If this had been generally known at the time, it could not have failed to appear in the writings of the leaders in this controversy. A modern writer can hardly describe this interesting contest without employing such terms.² Yet John Dickinson, one of the most skillful of the Revolutionary penmen, distinguished between two sorts of taxes,³ one paid by the owner of property, the other paid by consumers as a part of the price of commodities; but knew of no simple words in which to make such a classification.

In the course of the war with the mother country, anxiety over the continental finances gave rise to discussions of paper money and taxation. In these no trace of this distinction can be found until the close of the war,⁴ when the words direct and indirect taxes appear in a few private letters of the period. Pelatiah Webster, in his "Essays upon Free Trade and Finance," often is at a loss for words to convey the ideas which modern writers would express readily in these easy terms. But, in 1790, after the discussions over the constitution, he readily avails himself of these convenient words.⁵ In 1782, Thomas Paine commented at

¹ In order to determine this point the following works were read carefully James Otis, *Rights of the Colonies* (1764), *Vindication of the Colonies* (1765); Dulany's *Considerations on the Propriety of Imposing Taxes* (1765); Dickinson's *Farmer's Letters* (1767-8); Seabury's *Free Thoughts* (1774), *Virtue of the Controversy between Great Britain and the Colonies* (1774); Hamilton's *Full Vindication* (1774), *The Farmer Refuted* (1775); Myles Cooper's *Friendly Address* (1774), and Joseph Galloway's *Candid Examination* (1775). The writings of Samuel Adams have been examined, so far as they are to be found in Wells' *Life and Public Services of Samuel Adams* (Boston, 1865). Also the proceedings of the congresses of 1765 and 1774 have been read. In England the speeches of Chatham and Burke upon American taxation have been examined, with the same result.

² See John Fiske's *American Revolution*, I, 15 (Boston and New York, 1896). Senator Sumner, in 1866, describing the speeches of James Otis, puts these words into the mouth of the orator, although Otis did not use them. See Cong. Globe, 39 Congress 1 Session, Part 1, 678-679.

³ *American Museum*, IV, 469.

⁴ To determine this point, the published writings of the Revolutionary epoch have been carefully examined. In some cases, the only materials available were letters or addresses contained in published biographies. The list of writers whose works were thus read includes the names of Washington, Hamilton, Jefferson, Madison, Franklin, Henry, John Adams, Samuel Adams, William Livingston, Richard Henry Lee, Arthur Lee, William Lee, Boudinot, King, Jay, Gerry, Sherman, Reed, Witherspoon, Webster, and Paine.

⁵ *Political Essays*, 340 (Philadelphia, 1791).

length upon a passage from a French work, in which the author had spoken of England's right to tax the colonies "directly or indirectly." But these words seemed to have no special meaning to him, and he does not make use of a similar expression until 1792.¹

But a different, and somewhat singular, use of the terms direct and indirect in regard to taxes now claims our attention. In 1754, Governor Shirley submitted to Franklin a plan of colonial union, in which parliamentary taxation of America was practically authorized. Franklin replied in letters which finally were published in 1766 in the London *Chronicle*.² In these he objected strenuously to taxation of the colonies by parliament. Among other things, he urged that the Navigation Acts, which regulated American trade in the interest of England, obliged the colonists to pay "secondary taxes" to the mother country. In view of this fact he considered that it would be "as unnecessary as grievous" to oblige Americans "to pay immediate heavy taxes." Franklin's idea was that the regulation of American trade burdened the colonies for the benefit of English merchants, and that this was really a roundabout or indirect way of taxing America. He objected to the proposal that parliament should, in addition, impose taxes immediately upon the colonists.

This argument of Franklin's was repeated many times during the controversy with Great Britain.³ In 1765 Samuel Adams referred to the subject.⁴ In opposition to the stamp tax, he contended that Great Britain was already taxing the colonies sufficiently. She obliged them to carry their principal products to her own shores, and to take British goods in exchange, conforming "to her price both in buying and selling." This he considered "an indirect tax." The stamp duties would be "actual direct taxes," and should not be imposed. In resolutions

¹ Conway, *Writings of Thomas Paine*, ii, 72, 484, 495 (New York, 1894-1896).

² See Gordon's *History of the United States*, i, 130-131 (London, 1788); Sparks, *Works of Franklin*, iii, 56-57 (Boston 1840); Bigelow, *Works of Franklin*, ii, 376, 382.

³ See the petition to parliament drawn up by the congress of 1765, in *American Museum*, iv, 90; Daniel Dulany, *Considerations on the Propriety of Imposing Taxes in the British Colonies*, 74; *Correspondence and Public Papers of John Jay*, i, 226 (New York, 1890-1893); Elliot, *Debates*, v, 32.

⁴ *Life and Public Services of Samuel Adams*, i, 83.

drafted by Adams, at about this time, similar considerations are advanced.¹ These statements make it clear that the words direct and indirect were used with reference to the direct or indirect exercise of parliament's power to draw money from the colonies. Adams calls stamp duties direct because they were imposed as a direct and unconcealed attempt to tax America. If he had had any technical classification in mind, he would have called these duties indirect taxes.

In 1774, Franklin, referring to the duties that parliament had endeavored to levy upon glass, paper, tea, and other imports, mentioned the burdens imposed by the Navigation Acts. He said that the colonists "saw that by this indirect mode it was in the power of Britain to burthen them as much as by any direct tax."² At about the same time, John Adams quoted these expressions of Franklin.³ The same thought is found in Robertson's *History of America*,⁴ where it is stated that "Spain and Portugal are the only European powers who derive a direct revenue from their colonies." Later, David Ramsay referred to the stamp duties as "direct internal taxes, laid by authority" of parliament.⁵ Nothing like the classification of taxes as direct can be found in these expressions, in which stamp duties are called a direct exercise of the taxing power of Great Britain.

We must now study the occasional references to the distinction between direct and indirect taxes which are to be found in the writings of the six years preceding the constitutional convention. In 1782, in his *Continentalist*, Hamilton had considered the theory that all taxes are ultimately borne by the land owner. He did not use the terms direct and indirect in this connection, but did speak⁶ of revenues drawn "immediately" from the land. In the same year, R. R. Livingston wrote to Adams:⁷ "It is

¹ Wells, *Life of Samuel Adams*, i, 157. See *True Sentiments of America*, 18, 68, 76, published by Almon (London, 1768).

² Bigelow, *Works of Franklin*, v, 324-325.

³ *Works of John Adams*, iv, 20.

⁴ W. Robertson, *History of America* (London 1777). See ill, 173, of the edition of 1824.

⁵ *History of the American Revolution*, 47, 51 (Philadelphia, 1789).

⁶ Lodge, *Works of Hamilton*, i, 266.

⁷ Sparks, *Diplomatic Correspondence of the American Revolution*, vii, 5 (Boston, 1829-1830).

extremely difficult in a country so little used to taxes as ours is to levy them directly." This is the first instance that the writer has been able to discover in which an American made use of such a term. In a case of this sort it is proverbially difficult to establish a universal negative; but it is believed that the use of this distinction cannot be traced to a period much earlier than 1782.

Early in 1783, James Wilson, in Congress, spoke¹ of the "direct manner in which taxes in this country had been laid." In 1785 and 1786, similar terms can be found in letters of Madison and King.² In Massachusetts, a law of November 17, 1786, imposing an excise duty upon carriages, declared, in its preamble, that it was advisable "to ease the people as much as possible of direct taxation."

In January, 1787, Hamilton,³ in his speech in the New York Assembly, used the expression "indirect taxation." In a letter written in June of the same year, Theodore Sedgwick dwelt upon "the burdens of direct taxation."⁴ A writer in the *American Museum* for the same month used a similar expression.⁵ In the federal convention, Gouverneur Morris introduced his proposition relating to direct taxation upon the twelfth of July. A fortnight before that date, Hugh Williamson had stated that it would be difficult for Congress to "exercise direct taxation."⁶ Williamson contributed to the August number of the *American Museum*⁷ an article in which he explained the difference between direct and indirect taxes. We have no means of determining whether this article was written before or after the discussion of Morris' proposition.

We may conclude, then, that the words direct and indirect taxes were gradually coming into use at the time when the federal convention met. In view of the fact that this was the time when Hamilton and many others had begun to study care-

¹ Elliot, *Debates*, v, 32.

² *Writings of James Madison*, i, 149, 226, 266; *Life and Correspondence of Rufus King*, i, 190.

³ Lodge, *Works of Hamilton*, ii, 40.

⁴ In *Life and Correspondence of King*, i, 224.

⁵ *American Museum*, i, 432.

⁶ Elliot, *Debates*, i, 459.

⁷ *American Museum*, ii, 122.

fully the great work of Adam Smith, it is probable that many American statesmen had adopted these terms from the *Wealth of Nations*. But the writings of the physiocrats were also well known in this country, and it is probable that these may have furnished another source of information. Yet no American writer, with the possible exception of Williamson,¹ had endeavored to define exactly these words that have proved so convenient, and so troublesome, in economic terminology. This was not strange, since Adam Smith had not undertaken to define his terms, or to classify taxes as direct and indirect. The only available definition and classification was to be found in the works of Turgot and other writers of the French School. Under such circumstances it will not be strange that subsequent American discussions showed considerable doubt and difference of opinion concerning the exact meaning of the words direct taxes.

¹ See his article in the number of the *American Museum* for August, 1787.

NOTES.

The Minnesota Primary Election Law. The people of Minneapolis have nominated for the first time under a primary election law their candidates for city and county offices. The results of this election, together with the possible modification of political conditions produced by it, make the law of great interest to the people of the State and the citizens of municipalities in all parts of the country.

In 1899 the legislature passed an act granting to counties of two hundred thousand inhabitants, or over, the right to nominate by ballot the candidates for political offices. The law required the circulation of a petition by each candidate which must be signed by five hundred or more persons and accompanied, when filed in the office of the city clerk, by ten dollars to meet the expense of publishing the ballots. From these petitions the lists of candidates were made for each party ticket. No restrictions were placed upon the voter other than those necessary for the working of the law. Inclination determined party affiliation.

The only county in the State coming under the scope of the new primary act was Hennepin County, in which Minneapolis is situated. For the sake of convenience the primary election was held on the first day of registration for the November elections. The canvass for office prior to the election was energetic and sharp. On the Republican ticket the names of seventy-eight candidates appeared for the twenty offices; the Democratic ticket was not quite so well represented. In a number of cases, particularly those of Mayor and Alderman, candidates appeared who were not regarded as safe men by the best people of the city. In fact, about the mayoralty centered a contest that was very important to the city. A former Mayor who favored a wide-open policy in relation to the saloons and gambling houses, a business man, and a member of the Board of Education were the three contestants for the Republican nomination. On the Democratic ticket the present Mayor of the city and a former State Senator were the candidates. The Republican voters nominated the gentleman favoring the wide-open policy, while the Democrats named the present holder of the office as their candidate. It may safely be said that no convention would have named the Repub-

lican candidate. This situation may be explained by the fact that many Democrats voted for the Republican candidate. The test of this statement is found in the large preponderance of the Republican vote for Mayor over that of any other office, while the Democratic vote was correspondingly small. The law did not provide for any party test, and as a consequence it is suspected that many Democrats voted for Republican candidates in order to nominate a man who was sure to lose votes and in that way help their own candidate. Here is the weakness of the law.

On the other hand, the failure of the Republicans to select the best man for Mayor was more than offset by the defeat of three Aldermen who belonged to the old council combine. The result of the primary election was a surprise to the politicians. In nearly every case the man who held the office was renominated regardless of prophecies to the contrary. This is explained by the fact that the man in the office has a hold on the people increased by the prestige of the office. The uninformed voter goes on the supposition that he must be a good man and therefore ought to be retained in his position. The vote for the uncontested offices was less than 5 per cent. of the vote for Mayor in some of the precincts. Many tickets were also cast on which only the names of candidates for principal offices were marked. This was due partly to indifference and partly to a lack of knowledge concerning the candidates, but the majority of the voters marked their ballots with discrimination.

Before the law went into operation many statements were made concerning what seemed to be a ponderous machine. The election went off smoothly and without friction. The vote cast was larger than that of the last general election, indicating that the people were pleased to have the opportunity to select their own candidates. It remains to be seen, however, whether the best men will declare themselves candidates for the different offices. It is certain that the politicians will have to cooperate in presenting men widely known and capable, otherwise the people will choose the man who holds the office. This may remedy the danger just referred to.

The other cities in the State have watched with great interest the outcome of the law. Already the people of St. Paul are urging their representatives to vote for an amendment providing for the extension of the law to counties of 150,000 inhabitants. It is not likely the law will be repealed at the next legislature, but some amendments will undoubtedly be offered to test party affiliation and prevent the abuse of the law which occurred in the Minneapolis mayoralty contest.

Taken all in all, the law is an advance over the convention system, not necessarily in the mere selection of candidates, but in political training and individual responsibility of citizenship.

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The Census of Cuba. We have received from the Government Printing Office the "Report on the Census of Cuba, 1899." This is a census of Cubans by Cubans, all the supervisors and enumerators being residents of the island. It was, however, planned and managed by Victor H. Olmsted, under the direction of Inspector-General Sanger of the War Department. Aside from its statistical tables, the report contains a good deal of matter of general interest, such as a sketch of the geography, mineral resources, climate, flora, fauna, history, government and population of Cuba; an account of the various sources of water supply and methods of disposal of garbage and excreta in the island; a bibliography; and above eighty pictorial illustrations. Some of the more important facts brought out are the following: The population, October 16, 1899, was 1,572,797, of which 57.8 per cent. was native white, 9 per cent. native foreign, 32 per cent. negro and mixed, and less than 1 per cent. Chinese. A probable loss of population since the beginning of the recent war is reported, of 200,000 persons. The province of Habana is about as densely populated as is Connecticut, and that of Puerto Principe as the State of Texas: 47.1 per cent. of the population live in towns of 1,000 inhabitants and upwards. The average age of the people is a year less than in the United States, and two and a half years more than in Porto Rico. There is an extraordinary deficiency of children under five years of age, presumably a result of the war and of the Spanish policy of reconcentration. As in the United States, the proportion of negroes to whites has steadily, though slowly, diminished since importation from Africa ceased. Unfortunately, no comparative showing of the birth-rate and death-rate of the two races is given, nor of the several diseases to which each is more exposed. Statistics relating to marriage and the family in Cuba are specially difficult to gather and interpret, because Spanish law neither recognized common-law marriage nor granted divorce. The facts are, however, that in Cuba 24.7 per cent. of the population over fifteen years of age are "married," as compared with 55.3 per cent. in the United States, legal marriage being more than three times as common among

whites as among blacks. There are one-half as many persons cohabiting "by mutual consent" as there are living in lawful wedlock—the number of such "consensual unions" actually exceeding the number of marriages in a fifth part of the municipal districts. Of the population above ten years of age, 57 per cent. are unable to read, while of those between five and seventeen years of age, only 15.7 per cent. attend school. It is obvious that these facts have some bearing on the fitness of the Cubans for self-government on the one hand, and for American citizenship on the other.

Industrial Centralization in Sweden. The history of the Swedish dairy industries affords another illustration of the inevitable modern tendency toward centralization of production.¹ This industry was of some importance in the earlier centuries, but first emerged into an independent status after the Napoleonic wars. Its earlier stages of advance were at the expense of the formerly all-important agriculture; American grain, using cheapened means of transportation, was making short work of European competition, and in Sweden the population fell back upon cattle-raising, in connection with which they carried on a domestic dairy industry. For a considerable period, however, Sweden was unable to produce for export.

In the sixties efforts were made to disseminate scientific knowledge and to introduce better processes, and were crowned with considerable success. At the same time methods of refrigeration came into use and prospects were opened to the industry as never before. During this period it took on still more of the character of a separate and independent business and many establishments were founded which depended upon a transported supply of milk. Butter, the chief product, for the first time appeared as an important article of export. In 1860 a few thousand pounds were exported; but by 1864 the figure had risen to 579,900 pounds, after satisfaction of the domestic demand.

During the next decade the process went on still more rapidly; the total export for 1879 was about 10,219,000 pounds. This period was marked by the establishment of numerous "skimming-stations"; the product was enlarged by avoidance of waste and the sphere of action of the industry widened. The eighties brought

¹ *Svenska mejerihandteringen och smör tillverkningens centralisering,* af mejerikonsulanten K. F. Lunden. Notice by Nils Engström, in "*Ekonisk Tidskrift*," Häft 10, 1900.

still other revolutions in industrial processes, machinery was introduced and the railroads provided speedier transport. Dairies sprang up all over the country and the industry entered the foreign field with more vigor. In 1889, 32,340,000 pounds of butter were exported. The total export for the decade was over 220,000,000 pounds of a value of about \$57,105,000. This rose to 411,400,000 pounds (value \$90,990,000) for the years 1891-1900; 1896 was the high-water mark, with an export of 54,340,000 pounds. During the nineties butter rose to the second place among Swedish articles of export; the production of cheese, though important, was dwarfed beside it.

The prosperity of the eighties brought its abuses. Inexperienced entrepreneurs got command of capital and multiplied plants; and, as usual, they fell into a murderous competition. This resulted in careless use of by-products, hasty and inefficient methods and great loss to investors. Worse still, the quality of the product deteriorated and its well-deserved reputation seemed to be compromised. The industry was driven into the hands of larger and more efficient companies, under whose management economy of material was effected. Technical aid was employed, transportation was improved and the product was carefully tested and kept up to the proper quality.

The Swedes fear competition, and to judge by the author of the present treatise are far from confident concerning the future state of the dairy-industry. They are not sure that another period of internal competition and deterioration may not ensue, and since the quality of the product constitutes its chief claim upon the market, they apprehend grave results if the grade is lowered. Australian competition causes them some alarm, as does that of Canada, the United States and Argentina. Ireland, however, is regarded with most concern; it is nearer the chief market (England) and numbers among its dairy-industries many under Swedish direction. The Swedes feel that they cannot long enjoy their present high profits, for during the last two decades the price of their product has steadily declined.

To maintain their standard of profits the cost of the raw material must be reduced; this implies selection of cattle and a wider application of scientific method. Other desiderata suggest themselves, all of which appear under the familiar form of economies of centralized production. Producers covet Denmark's frequent and more convenient transport facilities by sea, lower railroad rates, etc. In

short, everything points to the conclusion that the industry must centralise.

The proper application of this system of centralization is suggested by the author, in conformity with the character of land and industry. Conditions are different from our own in some details, but it is certain that Sweden has been drawn into the current of modern business methods and industrial development, in spite of her comparative economic isolation.

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The Ibero-American Conference. This congress, convened in Madrid, November 10, 1900, marks still another effort of the Latin nations toward consolidation and resistance to the on-swelling tide of Germanic, and especially Anglo-Saxon, aggression. A large attendance was secured owing to the presence of many Central and South American delegates at the Paris Exposition. All the Latin-American states except Bolivia, together with Portugal, were officially represented. The object of the conference was to exchange ideas, do away with animosities, establish genial relations,—in short, to take the first tentative steps towards Iberian solidarization. Spain repudiated her traditional *régime* toward the colonies, and the latter found her former shortcomings not hard to forgive.

The delegates divided into committees for the consideration of the several subjects before the congress. The committee on arbitration voted for the establishment of permanent obligatory arbitration, allowing no exceptions. Debates on the subjects of jurisprudence and legislation, sciences, arts and letters, and education led to resolutions favoring harmonization of civil, penal and administrative codes, guarantees of authors' and inventors' rights, the spread of inventions and other advantages (especially among the Iberian races), the maintenance of the Spanish language in its pure form, unification of educational methods, etc. The committee on public economy favored the establishment of a central *junta* of emigration which should look out for the interests of the emigrants.

Other committees, deliberating on commerce, transportation, banks and credit, and expositions, returned resolutions supporting reciprocal commercial treaties, establishment of better transportation facilities, docks and ports, lower customs-tariffs and freight-rates, an exclusively Spanish-American cable, monetary unity under the superintendence of an Hispano-American bank, advanced exchange-facilities and permanent Ibero-American expositions in the

aid of commerce. The committee on the press advocated press-associations, removal of hindrances to the free international circulation of literature, etc.

The author of the very temperate and judicious article from which the above data are taken,¹ Professor Adolfo Posada, says the best effect of the conference is that the Spaniards have been compelled to give attention to the Americans—to realize that such affiliated states really exist. Though the conference was due to the initiative of an association of a private character, "la Unión Iberoamericana," its sessions seem to have exercised a decided influence toward the formation of a sentiment of Ibero-American unity. The utterances of the delegates, particularly those of Señor Sierra, a Mexican delegate, display strong feeling for the preservation of Iberian racial ideas and habitudes, as well as warm affection for the unfortunate mother country. Stress certainly has caused all the Latin nations to draw together and to look upon each other more fraternally. The conflict of races seems about to succeed the conflict of nations.

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¹ "El Congreso Hispanoamericano," por Adolfo Posada. *La España Moderna*, Diciembre 1900 (Año 12º, tomo 144, pp. 120-38).

BOOK REVIEWS.

The Peace Conference at The Hague and its bearings on International Law and Policy. By Frederick W. Holls, D.C.L. New York: Macmillan Co., 1900.

La Conference de la Paix. Par G. de Lapradelle. Paris: A. Pedone, 1900.

These two accounts of the proceedings of the Hague Conference of 1899, differ diametrically in their judgments of it and of its value.

Mr. Holls in his preface "frankly avows his conviction that the Peace Conference accomplished a great and glorious result, not only in the humanizing of warfare and the codification of the laws of war, but above all in the promulgation of the Magna Charta of International Law, the binding together of the civilized powers in a federation for Justice, and the establishment of a permanent International Court of Arbitration."

On the other hand, Professor de Lapradelle, closing his volume with various estimates of the value of the work done at the Hague, writes thus, "A vigorous thinker, A. Schaeffle, has uttered in regard to the Hague Conference a severe sentence, *parturient montes*; you know the rest. Harsh as this judgment is, it is perhaps nearest of all to the truth. The next conference will profit by it. For me, I say with M. de Staal 'wait for the harvest'."

Mr. Holls' hopeful spirit is entirely natural, for he shared in a conspicuous and useful way, in the deliberations of the Conference. It does not prevent his giving a resumé of the proceedings, however, which appears sufficiently fair and unbiased, and is in the highest degree interesting. He makes clear some matters which have been commonly misunderstood.

Take the action of the Committee on the humanizing of war, in its prohibition of the dum-dum bullet for instance, an action opposed by the British and American members. These two maintained that a bullet whose metal jacket left a trifle of the lead tip unsupported, that it might mushroom upon contact, was entirely consistent with the rules of the St. Petersburg convention of 1868, which forbade weapons "which uselessly aggravate the sufferings of disabled men or render their deaths inevitable."

Moreover, they asserted that the ordinary small calibre military cartridge fully jacketed did not necessarily have the effect of putting a man struck by it, *hors du combat*. In wars with uncivilized warriors this had been repeatedly proven. They offered an amendment to the resolution therefore, which was less sweeping in its prohibition, and argued cogently for it. Much to their surprise, however, the amendment was not put to vote, since neither chairman nor committee would admit that by parliamentary usage an amendment was entitled to consideration prior to final action on the original motion.

The number of proposals brought before this same committee which failed of adoption was considerable. One forbade the future use in war of powder stronger than any already employed. Another prohibited explosive shells in field artillery. Others forbade new high explosives, field guns better than the present, a change in the type of musket.

The use of explosives from balloons was forbidden, however, for a limited time.

In naval war likewise, there were many rules proposed tending to make war more ladylike, which found no favor, such as the prohibition of diving torpedo boats, of rams on warships, of thicker armor, of guns increased in size or with higher initial velocity.

Captain Mahan even opposed the prohibition of projectiles filled with asphyxiating gases, on grounds which to the ordinary mind, do not appear conclusive.

Mr. Holls deprecates criticism of the complete failure of the disarmament movement, still it is a fact that both the Czar's notes mentioned this as an object of the Conference: that in committee the proposals aimed not at a decrease, but only at preventing an increase of soldiers, budgets, and so on; and that even this proved quite unattainable.

In contrast to this failure should be set the real achievements of a code of rules to govern land warfare, and of the extension of the Geneva rules to naval combat. These last have since been incorporated into the naval war code of the United States.

Upon the rules governing land warfare, we have no space to comment here, though it is a most interesting theme. They are founded upon the Brussels code of 1874, which had never been adopted, are enlightened and explicit, introduce some new and excellent features into the rules of war, and have been ratified by nearly all the powers represented.

These rules governing the conduct of war, represent one of the tendencies of our time, to minimize the evils of war by making its processes more humane and its rules more exact and uniform. The United States proposal to exempt all innocent private property at sea from capture, was in line with this tendency, but could only secure reference to a subsequent conference. The Arbitration Treaty represents the ideal of that other, more numerous wing of the humanitarians who have paid their attention to war, which desires not so much to soften the rigors of war as to provide a substitute for it.

All the world knows what was done at the Hague, in this matter of arbitration, but the real significance of the action may be easily exaggerated and misunderstood. There is no compulsory reference of even a limited class of questions: there is no real change in the present system of arbitrating cases specially agreed upon. The feature added at the Hague is that of machinery to make the present system simpler, easier, more effective. With this were wrapped up a quantity of international processes, some old, some new, which may or more probably may not, prove efficacious.

Such were the resort to mediation, the offer of mediation, mediation through seconds and commissions of inquiry. Whether this arbitration convention is likely to prove a substitute for war or merely a substitute for diplomacy, is a question which Mr. Holls argues rather warmly, but into which we need not enter here. That the arbitration agreement is of the highest value in the progress of nations, as well as in the history of International Law, may be well argued on two grounds at least. It lays down a presumption of the peaceful settlement of disputes between nations; and the decisions of the judges appointed under it are likely in time to furnish a body of law which will be capable of codification.

But little has been said of the character and quality of Mr. Holls' history of the Hague Conference, losing sight of his workmanship somewhat in the extraordinary interest of the proceedings which he describes. Probably he would ask for no higher praise. The appendix contains the French text of the Conventions with an English translation, the Declarations adopted by the Conference, an account of the Grotius celebration in which Mr. White so admirably participated, and reports of the United States Commission as a whole and of its members individually, treating of the work of their committees. The spirit which pervades the whole book, of hopefulness and of enthusiasm, is so full of generous feeling that one is carried away by it. It was the spirit of the Conference

itself. "At the beginning of the Conference," writes the author, "the members themselves were affected by the prevalent scepticism, suspicion and discouragement. It was, however, most interesting to observe how from week to week and almost from day to day, this feeling gave way to a spirit of hope, of mutual confidence and of pride at participating in what was at once a great consummation and an auspicious beginning."

Turn now to Professor de Lapradelle's book for the other point of view, the critical, not the hopeful one. To him the delegates seemed bound by the ties of national interest, yet also constrained by the obligation of courtesy to the Czar, the patron of the Conference. Thus they must seem to do something while really doing little. What they did accomplish surprised him.

He emphasizes the efforts made to carry some plan of disarmament and their failure. Thus disarmament was pared down to an agreement not to increase armament and effectives, military and naval, for a short period. The objections to this were partly individual, partly of a general character. Individual, as in the case of Sweden, whose military system, two hundred years old, could not afford even five years delay in revision. General, for instance the denial that the number of effectives is a fair test of the military strength of a country, since the degree of public training, the shape and situation of the country, the number of fortified places, all have their bearing upon the question. Besides these two classes of objections, distrust of the Russ pervaded all.

The final result of this particular movement was the vote that "the limitation of military expenditure, which weighs heavily on the world, is highly desirable for the increase in the material and moral well being of humanity." A sentiment which M. de Lapradelle characterizes fairly enough as a "polite formula for the Czar, a species of vague and platonic condolence."

The Russian delegates skilfully turned the attention of the committee away from this failure to another set of topics, those relating to the humanization of war. Where these had practical value, says the author, they were doomed to failure. Only the sterile rules could be passed. Thus balloons never had been used for the discharge of explosives, they were not capable of direction, therefore for five years at least they could safely be prohibited. So with the asphyxiating gas question. Since it was improbable that projectiles filled with such substance would be invented and used, all the delegates but two agreed to forbid them. The *dum dum* discussion aroused the antagonism of the British delegates, was carried

in spite of strenuous opposition, and was valueless in the author's opinion, since both Great Britain and the United States failed to subscribe to the rule.

The taking up of the laws of war for discussion at the Hague, is considered by Prof. de Lapradelle a diplomatic device of Russia to save face in view of the possible failure of disarmament and arbitration. Into the discussion of the extension of the Geneva rules to naval war and of the rules of land warfare, he goes at great length, finding much to criticize in detail, and little to be thankful for. This seems ungracious. There are omissions in the code, there are perhaps, blemishes in it. But in the main it is good, and the mere fact that any code has been adopted is of immense value. This our author totally loses sight of.

And yet he can see into a millstone farther than most men and in the Mediation-Arbitration discussion is at his keenest. It was a mass of intrigue where two groups of states were ever struggling, the one desirous of using the mediation machinery to secure influence and create a rôle, the other fearful of this danger. Amongst the former stands the United States, in the author's mind, aiming at control of its continent, none of the other American republics but Mexico having a representation at the Hague out of deference, thus giving it a free hand. With the latter he classes Germany, who "confiant dans la puissance de ses armes, imbue des idées les plus absolues," for independent reasons, distrusted a system which tended to make states equal before the law.

Selfish reasons, not the promptings of humanity, thus dictated this convention like the others. And so unlike most critics who see in mediation too little, Prof. de Lapradelle sees in it too much, the mandate of intervention, in spite of the disclaimer in its terms.

The commissions of inquiry are similarly suspicious. The small states, according to our author, saw in them only "un moyen pour les grand États de s'immiscer dans leurs affaires et de leur imposer leurs volontés."

The final topic relates to arbitration. Here again is found a paring down of the ideal. General compulsory arbitration, says the author, seemed to the delegates a dream not yet to be realized. The compulsory reference of limited classes of cases even was unacceptable, for whatever the classification, national susceptibilities were involved and aroused. There remained the plan of a permanent court to hear cases purely at the option of the litigants. The scheme worked out, is not to the author's liking. He would have preferred

one judge from each state, instead of four, but thinks such a court would have had too much authority and independence to suit its creators. Moreover, he cannot conceive how litigant powers can agree in picking a panel of judges out of this big list. It is an imperfect and sterile system.

So too, with the arbitral procedure, which if properly arranged, would have had real value. And the failure to permit the adherence of non-represented states, was the greatest shame of all. The United States had kept out the other American states, for sake of control. England had kept out the Transvaal for fear of having to arbitrate. Italy had kept out the Pope, not recognizing his temporal sovereignty. Should these be permitted to accede! Alas! the conference could not agree, and the question was reserved for future action. Everything was sacrificed to the desire for an "entente" and this is one more peg on which our by this time somewhat embittered and hopeless author hangs his diatribes.

And so we shut his volume with a sigh of relief, and close our minds to over ingenious fault finding, and turn our eyes away to the far horizon, where the shadowy images of law and justice and morality, international, are dimly visible amid the clouds.

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A Dividend to Labor—a study of Employers' Welfare Institutions.
By Nicholas Paine Gilman. Boston, Houghton, Mifflin & Co.,
1899. Crown 8vo, \$1.75.

After an interval of ten years since the publication of his first important contribution to the subject under the title "Profit Sharing," Mr. Nicholas Paine Gilman continues his services to capital and labor in a volume entitled "A Dividend to Labor." The somewhat ambiguous sub-title calls it "A Study of Employers Welfare Institutions." It appears upon examination to be in fact a full and fairly accurate study of the institutions, both direct and indirect, set up by employers for the welfare of their work-people. It is not, however, a revelation of the methods by which employers have, in some instances, sought to promote their own welfare. Doubtless a very interesting book might be written upon this side of the question.

Mr. Gilman tells us in his preface, that his practical aim has been to present the facts relating to indirect dividends to labor, in "a necessarily incomplete view of welfare institutions in Europe and

America . . . in such a way as to incite other intelligent and successful employers of labor to go and do likewise." His main motive in writing is stated thus: "I trust that this book may serve to increase the deeper consciousness of kind, that more truly human sympathy between employers and employed, of which such a dividend (to labor) can be but an imperfect expression."

Part I of the present volume sets forth in general terms the scope and duties of the modern employer, further exemplified by a graphic sketch of the early and successful portion of Robert Owen's remarkable career. As the admission is freely made that Mr. Owen's later experiments were too idealistic and for this and other reasons proved sadly disappointing, one is led to wonder why a better example was not chosen—one which, at least, did not end in disaster. The brilliancy of Owen's rapid rise to fame and his wide sphere of influence were due to an intimate knowledge of and a complete devotion to the then novel problems of factory life. Whether the idealism, which afterwards developed into socialism and wrecked his fortunes, should not be credited with his early success, or some part of it, is perhaps open to question. It would certainly have been desirable to choose as an instance of the success of the profit-sharing idea an example wholly free from the socialistic spirit so often and prominently connected with the name of Robert Owen. However, one thing certainly Owen stood for, repeatedly emphasized by our present author; he believed in personal contact with the people he employed, as absolutely essential in bringing about the objects he had in view. As Mr. Gilman well puts it—"Welfare institutions are good, I repeat, but the individual workingman is not himself an institution, and he is not satisfied to be treated abstractly, as if he were a formula." In other words, Mr. Owen recognized that workingmen were human beings like himself and must be credited with the qualities and attributes which he himself possessed. So far certainly Owen furnishes an excellent example and our author discreetly pursues the subject no further.

In Part II is presented a "body of sifted facts for the information of all persons interested in the study of labor questions." A reading of this will surprise the employer unfamiliar with the subject in many ways. It will probably seem incomprehensible to Americans that work-people should be found willing to enter into the conditions of many of the welfare institutions so fully described, especially those in Germany and France and other continental countries, and even to glory in conditions which would probably be considered objectionable in this country. Indeed, it is hard to imagine

that some of these plans could be made to work in America, even in a preliminary way, for lack of material. But it is upon the profit-sharing features of the relation of capital to labor that Mr. Gilman lays most stress, and very properly, for it is in this direction that the greatest advances have been made, and it is through this means that the American instances have proved conclusively the fitness of profit sharing to certain American conditions. Hence Part III is devoted to what is practically a revision of Mr. Gilman's former treatise on profit sharing. It is not a record of constant successes that is here given. Many firms have failed to find the expected advantage, and so have dropped out; others have taken their places, but upon the whole the increase in number of instances of profit sharing in ten years has been marked. One can see a real advance in the strength of the movement as a whole, out of proportion to the number of cases, even though the plan seems to be waning somewhat in America.

A comparative statement as between the years 1889 and 1899 is here given. It must be borne in mind, however, that the separate instances of profit sharing should be reckoned quantitatively as well as numerically, for one firm may include more coöoperators (profit sharers) than the next ten firms on the list. The comparison here given is, therefore, only superficial. Mr. Gilman's lists, as they are now presented, in revised form, show France leading the world in the number of profit-sharing firms, as she did ten years ago, now closely followed by Great Britain, which, in turn, but at a long interval, is followed by Germany. This list does not appear in Mr. Gilman's book anywhere as here summed up, but a careful count has been made and the figures show the footings of Mr. Gilman's lists.

Instances of Profit Sharing in	1899	in 1889
France.....	118	60
British Empire.....	94	8
Germany.....	39	18
United States	23	29
Switzerland	14	10
Italy	8	1
Holland.....	7	2
Belgium	6	1
Austria	4	—
Netherlands.....	4	—
Russia	2	—
Spain	2	—
Portugal	1	—
Total.....	322	129

It must also be noted that our author disclaims accuracy.

In fact, the error of including those who have ceased to share profits exists as well as its opposite, the omission of those who are practicing profit sharing. It is, of course, very difficult to compile complete lists upon this subject, and an examination of the lists given reveals the somewhat singular modesty which prevents some English employers from giving their names; as, for example, we read in the list of the British Empire that A. B., a manufacturer in the Midlands, established a profit-sharing system in 1889; C. D. did likewise in 1890, but refused to tell what his business was. And there are other instances of this peculiarity, all, however, occurring in the British lists. Such modesty cannot be alleged against the American employers, for their names are given in full with their occupations. The fact that the British list is now four times as large as the American, seems to prove that the idea of profit sharing has made no progress in America, for in 1889 the United States had over three times the number of profit-sharing firms found in England.

Some deductions are obvious. Amongst others, perhaps the one which would be admitted with the least discussion, is the almost axiomatic statement that the greater the intelligence of the work-people the greater the success of any plan of profit sharing. This seems to be proved clearly enough by the success which has uniformly met efforts to distribute a dividend to the upper ranks of labor. As against this statement it will be urged at once, that American workmen are more intelligent than German or French workmen, who readily submit to paternalism, sometimes in very aggravated forms; and yet, as we have seen, American employers have not adopted the system of profit sharing as freely as employers of either of the other countries named. That there are good reasons why Americans have not advanced further along this path, seems highly probable. It would be most interesting to know what these reasons are.

A very valuable appendix, perhaps the most useful and suggestive part of the book, is given, in which sundry cases are set forth where profit sharing in the United States has been abandoned. In more than one instance a misapplication of education appears to be alleged as the reason for abandoning the system; that is to say, certain communities have been found where participation in profits was rendered impracticable, because of the presence of numbers of social marauders passing themselves off under the name of "solicitors at law," who induced such misbehavior as to cause the withdrawal of

the plan. As a matter of fact, education has here changed footpads into lawyers who have bestowed such persistent attention, in certain cases, to undermining the confidence of workmen employed in profit-sharing institutions, as to practically cancel the benefits expected, at least for the time. It is to be hoped that this represents merely a temporary phase of development. If we may believe the instances cited, it certainly illustrates the truth of the old adage, "a little knowledge is a dangerous thing." And it goes even further than this, for in this matter it is a perversion of knowledge which causes the difficulty. These pettifoggers have been trained by the very society they infest, to get the better of the best efforts of the law-makers, and while breaking laws themselves to so skilfully avoid the danger line as to incur no legal penalty. The last named causes of failure are but briefly alluded to by Mr. Gilman. They have, however, come under my personal observation.

Mr. Gilman's summing up frankly states his belief that socialism "will not work, and better plans, more modest in promise and more effective in result, will come to the front," and he expresses his firm conviction that "no method has yet been devised for rendering the whole force of an industrial establishment—physical, mental, moral—more powerful and productive than this simple plan of making all the agents—capital, business-talent, labor—partners in the profits."

A careful and excellent bibliography is added in appendix IV, covering the interval of time since 1889.

The book deserves a wider reading than it is likely to get. It is painstaking, candid and free from bias. Employers and workers would alike be benefited by reading it. The problems of the wage-earner are to-day the problems of the nation. An equitable division of the earnings of labor and capital is the real question at issue. They who successfully solve it fairly to all, whether by patronal institutions, or by profit-sharing direct, or by whatever plan, will deserve the reward they are sure to receive, and will be rightly honored by grateful generations yet unborn. Profit sharing in the United States may have received the severe rebuff indicated by the tables; it is nevertheless clear that reckoning the whole industrial world, substantial advance has been made in the last ten years. If America is to keep pace with her competitors in the world's productive industries, she must use all fair means to help her on. We cannot believe that American intelligence will continue to neglect so potent a factor in industrial peace as profit sharing has been found to be by our acute and well equipped rivals in every field of effort.

ROWLAND G. HAZARD.

Peacedale, R. I.

Essays on The Monetary History of the United States. By Charles J. Bullock, Ph.D., Assistant Professor of Economics in Williams College. New York, The Macmillan Co., 1900 (The Citizen's Library Series)—8vo, x, 273 pp.

The monetary history of the United States has been approached from various directions. One writer emphasizes the origin and history of American coins; another, the part the banks of issue have played in determining the character of our currency. Professor Bullock's treatment is more comprehensive, and aims to be a history of American paper currency. His point of view is, of course, not original; nor is this collection of essays more than a beginning in the direction indicated. But, as far as it goes, the book is a distinct advance on any similar compilation of Colonial and Revolutionary legislation. In conciseness of treatment and clearness of analysis the book is a model of its kind.

The story of American paper currency, as the writer tells it, centers about the fact that the early settlers of this country discarded gold and silver for other forms of capital which were of more direct benefit to them in opening up a new country. What little capital there was existed in the shape of implements and supplies, and whatever coin was minted or imported soon left the country in exchange for the more useful forms of capital. Specie being thus effectively excluded from the currency, the way was opened to the issue of a paper currency, which seemed to supply an alluringly cheap medium of exchange.

The author has brought together in a small compass the essentials of the history of Colonial currencies, including the Revolutionary issues, and has extended the story in rough outline to the present time. Much of the ground has already been gone over by others, but by none more satisfactorily. Separate chapters on the Colonial issues of New Hampshire and North Carolina are valuable contributions to the subject. Otherwise the book deals with more familiar topics: the Colonial legal tender laws and their motives; legislation against discrimination in favor of specie, against monopolies and every form of speculation based on the derangement of prices; the nature of the speculation resulting from the over-issue of notes; government note issue and taxation; paper money in politics and the debtor interests; the continuation of the paper money craze under the guise of the silver agitation. A fuller enumeration of topics covered is unnecessary. Those indicated characterize the breadth and the view-point of the book.

J. C. S.

Die Gewerkschaftsbewegung. Darstellung der gewerkschaftlichen Organization der Arbeiter und der Arbeitgeber aller Länder.
Von W. Kulemann, Landgerichtsrat. Jena, Gustav Fischer, 1900.

This book of 730 pages was written with the view of condensing into a single volume the essential facts bearing upon the movement toward association, both among employés and employers, in its various aspects. It applies to Germany especially, but in a more general way treats of the labor unions and industrial and commercial syndicates of all countries occupied by European peoples.

The greater portion is taken up with a descriptive presentation of the main features of trades union movements. After sketching the rise and development of unionism in other countries, a more detailed account is given of the different kinds of socialist organizations, trades societies, associations of public servants, railway employés unions, tradesmen's societies, and associations of employés formed on confessional bases, including Evangelical, Roman Catholic and Christian socialist groups, in which are principally represented textile workers, metal workers, masons, waiters, clerks and clock makers.

The international relations existing among the principal national unions are briefly described, making altogether a fairly clear and yet comprehensive survey of so large a subject—the union movement from the laborers' standpoint.

The second part of the subject, treating of employers' unions, covers a field in which Germany has seen signal developments. Here the self-protective impulse of the investor and employer has developed a variety of syndicates, industrial and commercial, of which the well known coal syndicate is typical. The author gives prominence to the syndicates represented in the mining industries, the metal industries, brewing, textile industries and in the engineering and building trades. Those industries in which handwork still prevails, such as wood-working, are briefly considered, as are agricultural unions. A final part of the book is devoted to the consideration of organizations of a more mixed class such as the German book printers' association, the Swiss horological federation, the English trades alliance and the French *syndicats mixtes*, all of a voluntary character; associations which are incorporated, such as insurance and other beneficiary societies, are described briefly from the standpoint of German and Austrian experience.

The author has rendered a helpful service, especially for German readers, in bringing together in so limited a space the gist of the

experience of so many different peoples. The index is a good one, and materially increases the usefulness of the book. The authorities consulted seem, however, to be rather meagre, and, as indicated by the references, they are not very recent. For example, not an original American authority is referred to in the chapter relating to the United States. Three books by German authors, dated respectively 1879, 1886 and 1890, an English author's book on the United States, and one review of an American book by a German periodical, seem to comprise the sources relied upon for presenting our contribution to this comprehensive movement. The book, nevertheless, should serve well the popular purpose for which it was evidently intended.

JOHN FRANKLIN CROWELL,

Washington, D. C.

The Referendum in America, together with some chapters on the History of the Initiative and other phases of popular government in the United States. By Ellis Paxson Oberholzer, Ph.D. New York: Scribner's Sons, 1900—430 pp.

Dr. Oberholzer's earlier essays on law-making by popular vote in the United States had revealed to American scholars the wide extent to which, in their own country, the practice of direct legislation had attained. The present essay is entirely rewritten and very largely extended, and certain chapters are added. Altogether, it constitutes an exhaustive and authentic account of everything in American politics which tends towards direct participation of the voters themselves in legislation, and the addition of a complete index makes it a wholly satisfactory handbook on the subject.

The first half of the book is devoted to constitution-making, and herein the author follows closely the work of Judge Jameson, although making himself, as elsewhere, familiar with the original sources. The first two chapters, containing a comparison of the work of John Adams and Benjamin Franklin in framing the constitutions of Massachusetts and Pennsylvania, furnish an interesting introduction to the general subject. The lesson drawn from these experiences is that the popular features in Franklin's government were so inconsistent with the representative principle, that after a few years of trial, Pennsylvania turned to the more aristocratic model set by Adams in Massachusetts. At the same time, the development of one hundred and twenty years has been gradually returning

to the ideal set by Franklin, although in a different form, namely, the participation of the people, not in a meddlesome interference with the legislature, but in constitutional restrictions on the legislature established by popular vote.

Besides constitutional amendments, the author describes in great detail the movement in all the States towards direct legislation in the two fields,—statutes of general operation and bills affecting local government. In the former field, not much is to be said, but in the latter is required nearly one-half the space of the book. This includes the local referendum on the scope and form of local government; on loan bills and financial proposals; on local option liquor laws, and “vexed” questions; on city charters. Finally, a chapter is added on the Initiative, which the author finds is not an importation from Switzerland, but had been gradually introduced on many local questions long before the corresponding practice in Switzerland was known to Americans. Yet the Swiss form of the Initiative is now creating a new extension of the same principle, as is shown by the laws adopted since the time when Oberholzer first wrote on the subject, ten years ago.

The author has given only what may be called the formal side of the referendum in America; he has told us everything as to its gradual introduction and the extent to which it has reached. He has not attempted to describe its workings nor to pass judgment upon its merits.

JOHN R. COMMONS.

New York.

The History of Colonization, from the earliest times to the present day. By Henry C. Morris. New York: The Macmillan Co., 1900, 2 vols., pp. xxiv, 459, 383.

It is the aim of these volumes to bring within reach of the ordinary reader the results of the studies which have been made on nearly all phases of colonization. The need of a work of this scope has long been urgent. Payne's excellent little book on “European Colonies” was written twenty-five years ago, before the recent important development of the modern colonial systems took place, and, besides, Payne gave a disproportionate share of attention to the later history of the revolted Spanish colonies. Lucas's “Introduction to the Historical Geography of the British Colonies,” admirable review though it is of the whole subject, is too brief to be other than an introduction.

Accordingly, it is with unusual interest that one turns to the work of Mr. Morris.

There is possibly some surprise at the discovery that, although his serious interest in the history of colonies dates only from the Spanish war, he has undertaken the comprehensive task of dealing with the whole subject, from the days of Tyre to the latest seizure in China. His use of authorities excites distrust. It was not to be expected that he should go much to the original sources, but the references to secondary works show scarcely any consciousness of the different value of books. The same weight is given to the latest popularizer, to anonymous articles in the "Annual Cyclopaedia," as to Leroy-Beaulieu and to Roscher. Names of books are thrown together indiscriminately in the footnotes, although their statements are not each based on an independent source. One of the authorities cited repeatedly is Cantu, "Istoria Universale," a brilliant but unreliable work, first published in 1837. Just how such a work came to be an authority on colonial history is not suggested. It is quoted, for example, upon the "Culture System in Java." Money's "Java, or How to Manage a Colony," is also treated as an authority, although Dr. Clive Day showed in this REVIEW a year ago that it was untrustworthy. Mr. Morris knows the book only through Ireland's account of it in his "Tropical Colonization."

An adequate treatment of the history of colonization is beset by peculiar difficulties, arising out of the complexity of the subject. There is no experiment in administration, no problem of trade or finance that has not been illustrated in this phase of the development of civilization. The subject has little natural unity. Many of its incidents gain their significance from their relation to the contemporaneous history of Europe. It can become intelligible only if the larger lines of change and progress are kept constantly in sight. The reader is searching for a book after the manner of Seeley's "Expansion of England," a book which shall illumine the subject; instead of this he finds a series of loosely constructed encyclopaedia articles, treating the earlier phases of the subject with much detail, and the later period in a fragmentary way, and often by statistical tables. One could gain hardly a notion of the great change that came over colonial systems between 1750 and 1850.

The very complexity of the subject should suggest that it is dangerous to sum up so diverse an experience into a set of "General Principles," and yet this is what Mr. Morris has done in his preliminary chapter. One of his most lucid conclusions is as follows:

"Political economists lay down the rule that the language and laws of state and colony must be uniform. This question is of special import when the land to be colonized is already inhabited by a race somewhat above the level of barbarism. It means, then, that much greater energies must be put forth to supplant the existing statutes, dialects, and customs by new ideas of justice, a different tongue, and reformed manners, than would be required to train minds undrilled in any school. . . . Whatever be the degree of intellectual advancement in the dependency, its native citizens must be taught to respect the institutions of their protectors." It would be difficult to find anywhere a more naïve attempt to raise to the dignity of a fundamental principle the stupid and cruel policy of complete benevolent assimilation, a policy which intelligent statesmen long ago repudiated. Many of the other "Principles" are less dangerous, but in another way they are more surprising. For example: "The soil of the colony must be new, it must be fallow to the ploughshare; forests should exist and rivers be plentiful; fish and game should be unlimited . . . salubrious latitudes, free from fevers and pestilences, are the most easily colonized." "Thrift is the necessary complement of activity; afar from his fatherland and friends, the colonist must accumulate for his old age and for the support of his family . . . Without these intrinsic qualifications on the part of their founders, outposts will never grow into towns; public improvements will never be constructed . . . not to mention any of the other durable, material, social and intellectual institutions which are to be generated in a nascent colony." How all this illuminates the imagination!

The body of the work does not reveal a mastery of details. The author seems to be at the mercy of his authorities. For example, on page 260, relying upon a statement in Hume's "Spain," he says, "The establishment of the colonies gave a strong impetus to industry. To supply with manufactured products these new markets aroused the greatest energy throughout Spain. Not only sailors on the sea found steady employment, but workmen in every department felt the influence of the American demand." But on page 265, from Zimmerman and Leroy-Beaulieu, he explains that the Spaniards "commenced to disdain industry. Those engaged in manufactures were said to be employed in 'low and base occupations.'" The same failure to understand his authorities has led to confusing remarks about the "New Laws" of Charles V. and about the treatment of the natives. The revolt of the Spanish colonies is misconceived.

They did not seize "the opportunity which they had evidently been long and expectantly awaiting"; they were faithful to the cause of the deposed Ferdinand VII, until the stupidity of the Spanish juntas destroyed their loyalty to Spain.

For such reasons this work is disappointing, and doubly so, for it is not a happy task to criticize unfavorably the results of well-intentioned, painstaking effort.

HENRY E. BOURNE.

Western Reserve University.

RECENT LITERATURE.

The student of social problems is likely to find the discussion of the Outlook in Missions the most suggestive portion of Dr. William Newton Clarke's "Study of Christian Missions." (Chas. Scribner's Sons, New York.)

The foreign missionary is on trial before the educated classes in the Western World, where an account of the practical and visible results of a completed century of missions is distinctly demanded. It is perhaps less obvious to the lay reader than it is to the author that the frank criticism and diminishing contributions of the age are due to its warlike ambitions and worldly living. At a time when sentiment counts for less in the affairs of life than at any period of modern history, it is not unnatural that even good men should ask for the reckoning, for a trial balance in the best sustained effort of Christianity since the rise of Islam. It is not the decadence of spirituality in Protestant countries: it is its extraordinary continuance during a hundred years of preliminary and experimental effort in exotic climes among peoples for the most part grossly misunderstood, that is the really surprising feature in the missionary record. If the missionary and his board will submit to the same business standards by which a secular world estimates and approves such organizations as the Salvation Army and the Young Men's Christian Association, there will be no failure in funds for the future. Dr. Clarke's volume is admirable in its wise and temperate tone in discussing a question of the very highest cultural and economic importance. In its way nothing better has been written since Lawrence's "Modern Missions in the East," a classic on the subject which appeared six years ago. Its only defect is in the limitation involved in the author's plan, which addresses the missionary and his supporters rather than the wider audience of those who would willingly be convinced by full discussion of the effective administration of enormous sums of money and educational establishments carried on in distant and difficult countries.

The significance of environment upon the evolution of political institutions is made the subject of an elaborate speculation by Giacomo Pagano in his "*Le Forme di Governo e la loro Evoluzione Popolare.*" (Tipografia Editrice, "Lo Statuto," Palermo, 2 vols.) It is to be regretted, however, that the author has enveloped a few

valuable ideas in a mass of phrases, which bewilder rather than instruct the reader. If he could have sacrificed his ideal of completeness to the extent of omitting the speculations about "sidereal environment" and other equally intangible phenomena and restricted himself to a rigorous analysis of the influence of physical and social environment, he would have produced a much better as well as a much smaller book. The best part of his work is in the second volume.

The essays in Mr. Alfred Russell Wallace's two volumes of "Studies Scientific and Social" (The Macmillan Co., New York) comprise his contributions to the periodicals for thirty years on a wide range of subjects in natural and social science. The political and social studies are mainly in the second volume and are devoted to practical questions in public finance, land reform, social progress, education, and public and private ethics. Of especial immediate interest are the papers on White Men in the Tropics; How to Civilize Savages; The Causes of War and the Remedies; Temperate Forest Regions.

Extended comment on such work as Mr. E. C. Stedman's admirable American Anthology (Boston: Houghton, Mifflin & Co.) will not be looked for in a technical periodical. Yet it is perhaps not devoid of interest to students of social questions to remark the very slight degree in which social struggles or problems have inspired good poetry in America. The slavery question alone seems to have struck deeply enough to compel such utterance. One can hardly believe that the song of the new century will be so confined to the expression of individual moods or of aesthetic appreciation of nature, art, and of historic memories.

Professor J. Shield Nicholson's "Treatise on Money and Essays on Monetary Problems" has appeared in a fifth edition (London: A. & C. Black; New York: Macmillan). It differs but slightly from the former editions which have appeared since the first in 1888. An appendix is added which contains the familiar monetary statistics, and a very concise review of recent currency legislation in Japan, in the United States and in India. It is to be regretted that the author has not discussed in full the striking monetary changes in India, which one would have expected from the great attention he has given to the bimetallic controversy.

F. L. Hoffman's "History of the Prudential Insurance Company, 1875-1900" (The Prudential Insurance Co., Newark, N. J.) was prepared as part of the company's exhibit at Paris during the past

year. As a history of that company's growth it gives an insight into the internal organization of a most complicated business enterprise, its growth and success in overcoming difficulties. The book is also interesting as dwelling upon thrift among the working classes. The essential elements of industrial insurance as now practiced are clearly brought out,—the fixed premium purchasing an amount of insurance varying with the age of the insured, the weekly house-to-house collection, the generous provisions of re-instatement after lapse, and the absolutely immediate payment of claims. Of more technical interest are the discussion of the lapse problem, the classification of deaths by occupation and the like. On the latter point any data the insurance companies see proper to publish are of the greatest importance.

One of the most recent issues in the series of Temple Primers is an admirably clear sketch of International Law, by F. E. Smith (The Macmillan Co., New York). It is provided with a list of authorities and of leading cases.

The survey of our foreign relations which ex-Secretary John W. Foster has given in his "Century of American Diplomacy" (Boston: Houghton, Mifflin & Co.) will appeal to the general reader rather than to students. The space at the author's command and apparently the time at his disposal forbade detailed investigation and discussion, and he has been content to provide a clear and readable narrative of the facts accessible in the general histories. That the author has not kept abreast of the latest knowledge in this field is evident in his discussion of the Genet episode, the Louisiana purchase, the John Henry affair, the opening and closing of the Mexican war. On page 316, in following Rhodes, he repeats the error of dating the elections to the 30th Congress after the victories of the Mexican war. In the chapter on the Civil war, the indebtedness to Rhodes in the text and notes is more than would be suspected from the occasional references. On page 345, the reader would be led to suppose, in accordance with a prevalent error, that the Ostend "manifesto" was made public at the time of its adoption by its authors. Some other minor errors might be noticed.

As a whole, however, Mr. Foster's book may be heartily commended as a successful attempt to provide an interesting and well balanced account of our foreign relations from the Declaration of Independence to the end of Grant's administration.

The new and revised edition of Prof. J. P. Gordy's "History of Political Parties in the United States" (Henry Holt & Co., New

York) may be cordially commended as a valuable contribution to the literature of American politics. We believe it would have been wiser to call it a History of American Politics, for such it is and as such it promises to be the best general work of its scope available for students and teachers. While availing himself of the help of the best secondary authorities, Prof. Gordy has conscientiously studied the original documents and his narrative everywhere shows the evidence of his own thought. If in the future volumes he gives equal attention to foreign affairs, his work will be a convenient manual of our diplomatic history. One or two points suggest criticism. The account of Genet, page 179, contains some serious errors, and in discussing his mission to the United States, Prof. Gordy has not availed himself of the new material brought to light by the MSS. Commission of the American Historical Association. Genet had not revolutionized Geneva nor annexed it to the French republic. That annexation did not take place until Genet had been in the United States five years. Again it seems to us inappropriate to call the high Federalists radicals (page 368). They were the "extreme right" in American politics and represented a reactionary conservatism, while the word radical connates innovation or a complete cutting loose from the traditions of the past. This first volume covers the period from 1783 to the end of Jefferson's administration, and the work will be completed in four volumes.

In Mr. John M. Taylor's "Roger Ludlow, the Colonial Lawmaker" (G. P. Putnam's Sons, New York) will be found a painstaking collection of all that is known of Roger Ludlow, who is supposed to have drafted the first constitution of Connecticut, and who drew up the Code of 1650. Mr. Taylor's method, however, indicates a lack of training in historical research.

A timely republication is that of Professor Alfred Rambaud's essays on the "Expansion of Russia" (The International Monthly, Burlington, Vt.). The earlier part is almost too condensed to be easily assimilated. Of more immediate interest to-day are the chapters on the Colonization of Siberia and the Means and Methods of Russian Expansion. An absolute government and an assimilative population without religious or race prejudices simplify for Russia some of the phases of expansion most perplexing to the more sophisticated western nations.

By the use of thinner paper and narrower margins, the two volumes of Professor C. M. Andrews's "Historical Development of Modern Europe" (G. P. Putnam's Sons, New York) have been

reissued in a convenient single volume. For students who are looking for a clear exposition of the political evolution of the leading states of Europe from the French Revolution to the present day, this book may be recommended as presenting the results attained in their respective fields by the leading historians of France, Germany and Italy.

The convenient and serviceable collection of Representative British Orations, edited sixteen years ago by Charles Kendall Adams, has been reissued by the publishers (G. P. Putnam's Sons, New York) with an additional volume under the editorial care of John Alden. In the new volume place is found for one speech each from O'Connell, Palmerston, Lowe, and Rosebery, and for two short ones by Joseph Chamberlain. The earlier edition was almost wholly devoted to the period since 1765, and this preponderance of the modern is greatly increased in the new issue. Mr. Alden's introduction and notes will prove helpful to the reader, although his enthusiastic tribute to Justin McCarthy's "History of Our Own Times" as his main source of information does not inspire confidence in the range of his studies. Such a reference as that on page 277, "The National Biographer says," etc., shows the hand of the novice.

Two conspicuously admirable biographies have been added to the series of "Heroes of the Nations" (G. P. Putnam's Sons, New York). In both Mr. Firth's "Cromwell" and Mr. Perkins's "Richelieu," we have subjects of abiding interest treated by writers of rare qualifications. Mr. Firth has given more attention to Cromwell's colonial policy than preceding biographers and the results of his own researches into the history of the army, of Cromwell's battles and of the political radicalism of the time are succinctly presented. Mr. Perkins in his Richelieu has not confined himself to narrow bounds, but has given a general picture of the economic and political condition of France in the age of Richelieu, which is among the best accessible to the English reader. Both volumes are illustrated from contemporary portraits and engravings.

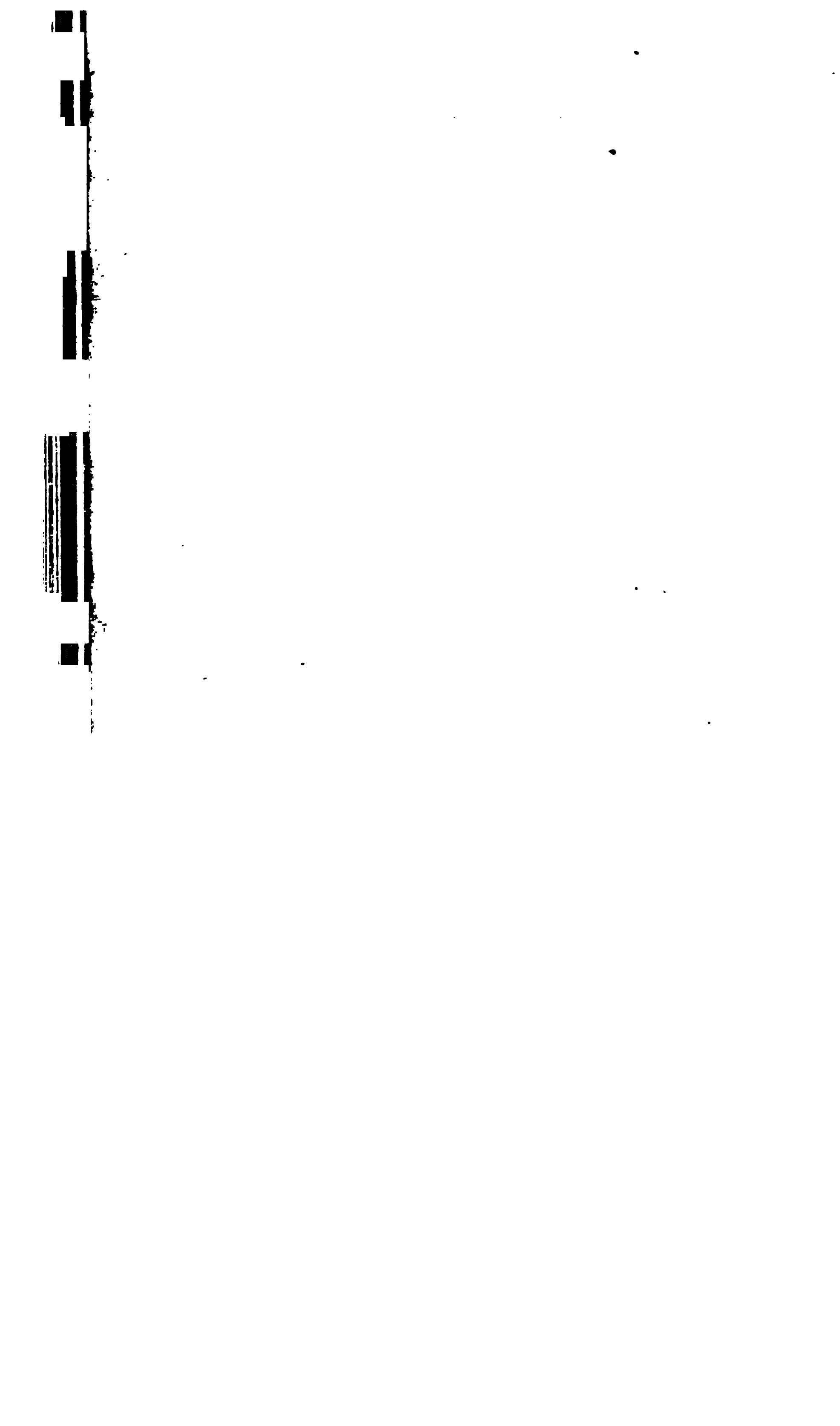
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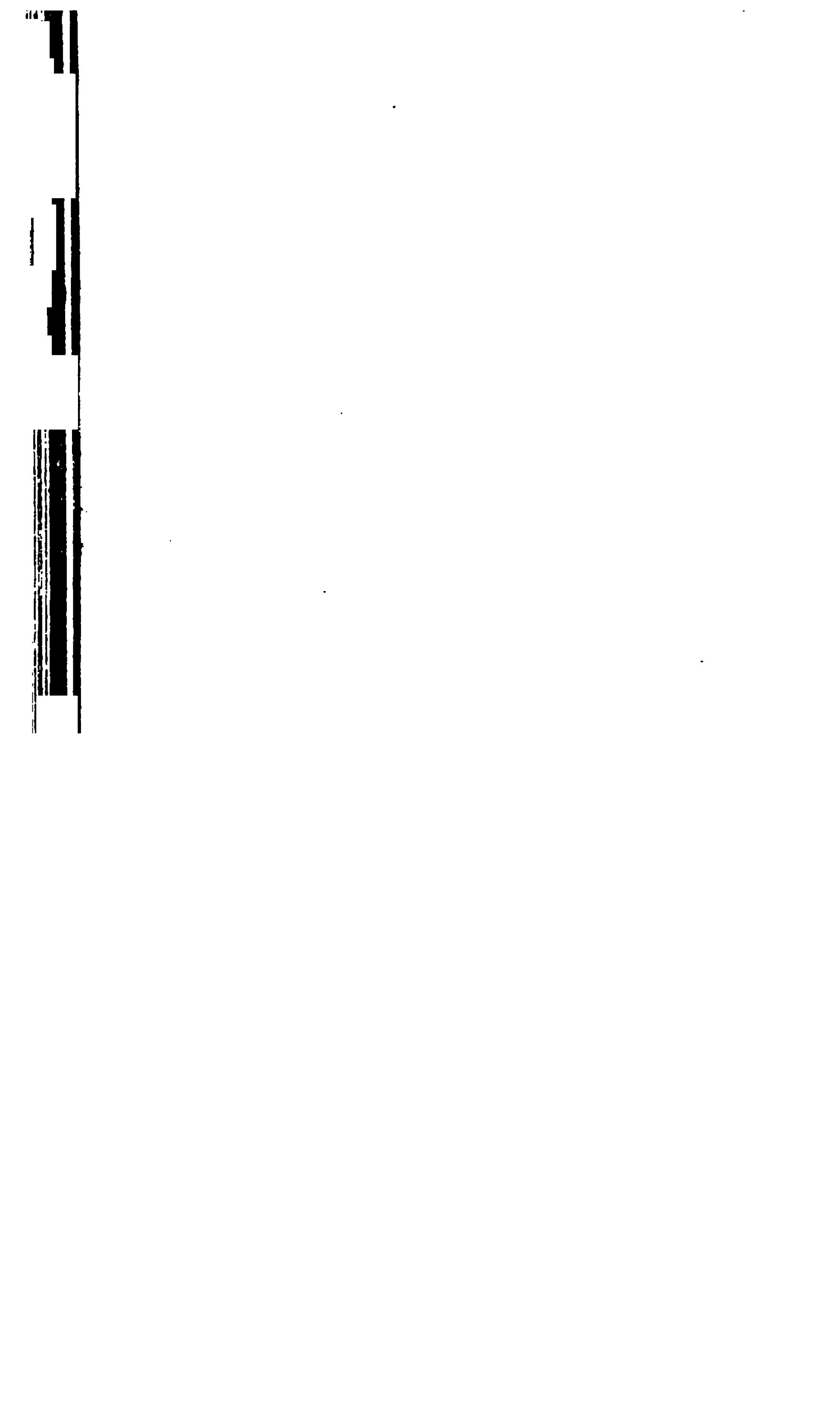
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